GS Mortgage Securities Corporation Trust 2013-NYC5

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PRELIMINARY RATINGS (AS OF: 03/11/13)

Class	Balance/ Notional Amt	Preliminary Ratings	Morningstar DSCR	Morningstar BLTV (1)	Morningstar ELTV (1)	Credit Support Levels
Class A	$172,969,000	AAA	8.01 x	28.0%	27.4%	57.8%
Class XA-1	172,969,000	AAA	n/a	n/a	n/a	n/a
Class XA-2	172,969,000	AAA	n/a	n/a	n/a	n/a
Class XB-1	121,531,000	AAA	n/a	n/a	n/a	n/a
Class XB-2	121,531,000	AAA	n/a	n/a	n/a	n/a
Class B	55,431,000	AAA	6.07 x	37.0%	36.1%	44.3%
Class C	40,600,000	AA+	5.15 x	43.6%	42.6%	34.4%
Class D	25,500,000	AA	4.70 x	47.8%	46.6%	28.2%
Class E	30,300,000	A-	4.27 x	52.7%	51.4%	20.8%
Class F	49,300,000	BBB-	3.70 x	60.7%	59.2%	8.8%
Class G	35,900,000	BB	3.33 x	66.5%	64.9%	0.0%

In determining the preliminary ratings on each class of securities issued by the Trust, Morningstar analyzed the properties securing each loan as enumerated herein to determine their stabilized as-is net cash flow (NCF) and values based primarily on the direct capitalization approach. The loans along with their corresponding as-is NCF and property values were then subjected to a series of economic and lending environment stresses in our proprietary CMBS Subordination Model to estimate their expected loss at each rating category. A description of this model is attached as Appendix A to this report. Note (1): The Class XA-1, Class XA-2, Class XB-1, and Class XB-2 Certificates are notional amount certificates and will not be entitled to receive distributions of principal. The notional amount on the Class XA-1 and Class XA-2 Certificates will be based upon the balance of the Class A Certificates. The notional amount of the Class XB-1 and Class XB-2 Certificates will be based upon the balance of the Class B, Class C, and Class D Certificates. Interest will accrue at the respective pass-through rates based upon the corresponding Notional Amount. NR – Not Rated; N/A – Not applicable; PR – Private Rating Issued.

(1) The term value of the portfolio assumes a deduction of $15.4 million associated with future equity investment required for the completion of the Affinia 50 renovation. The balloon to value is higher because it is assumed that at maturity this work has been completed, and therefore, the ending loan to value is slightly lower.

Estimated Closing Date: March 28, 2013

Solely to the extent and subject to the scope of review enumerated herein, this report and the preliminary ratings noted above address certain credit risks and the extent to which the payment stream of the collateral is adequate to make payments required under the certificates based on information identified as subject to review herein and to the extent provided to Morningstar Credit Ratings, LLC ("Morningstar") on the arranger's website for this transaction as of March 11, 2013 The below analysis, as well as Morningstar's ratings characteristics as described in Appendix C, further reflect the ratings analysis related to these preliminary ratings. Investors should be aware that the proposed transaction and certain documents related thereto are not finalized. Following Morningstar's receipt of final information and documentation, and the completion of Morningstar's review of such information and documentation, Morningstar may issue final ratings to certain subscribers. Such final ratings may differ from the preliminary ratings enumerated herein. Any final ratings will solely be available to Morningstar subscribers on a subscription basis. The preliminary ratings are provided on an arranger pay basis while any related surveillance and analysis is provided to subscribers on a subscription pay basis. For the avoidance of doubt, your receipt of this report does not, in and of itself, make recipient a subscriber of Morningstar. For further information on Morningstar's subscription service, please contact Joe Petro pursuant to the contact information above.

Ongoing Surveillance Statement

Morningstar will monitor the ratings assigned to each Class of certificates on an on-going basis and publish monthly surveillance reports, Morningstar Dealviews, with respect to the trust on a subscription basis solely for subscribers. In addition, changes to ratings and related analysis with respect to each Class of certificates will be provided to subscribers on a subscription basis. Appendix B to this report provides details on our surveillance approach. Morningstar's ability to continually monitor this transaction is contingent on Morningstar's continued timely receipt of certain information and data regarding the collateral and transaction.

TRANSACTION SPOTLIGHT

Collateral	One loan secured by the fee simple interest in five hotels located in New York City.	**Mortgage Loan Seller**	Goldman Sachs Mortgage Company
Notional Balance	$410,000,000	**Sponsors**	Pebblebrook Hotel Trust & Denihan Ownership Company LLC.
Structure	Sequential	**Depositor**	GS Mortgage Securities Corporation II
Morningstar U/W Current DSCR (1)	3.33 x	**Lead Managers**	Goldman, Sachs & Co.
Morningstar Trust U/W BLTV (2)	66.5%	**Trustee**	Wells Fargo Bank National Association
Morningstar Trust U/W ELTV (2)	64.9%	**Servicer**	KeyCorp Real Estate Capital Markets, Inc.
		Special Servicer	KeyCorp Real Estate Capital Markets, Inc.

Note:

(1) Current debt service coverage reflects interest only payments.

(2) The term value assumes a deduction of $15.4 million associated with future equity investment for the completion of the Affinia 50 renovation. The Ending loan to value is higher because it is assumed that at maturity this work has been completed.

Transaction Overview

The collateral for the GS Mortgage Securities Corporation Trust 2013-NYC5 is a $410 million first mortgage loan which is secured by the fee simple interest in five upper upscale hotels. The hotels include Affinia Manhattan, Affinia Shelburne, Affinia 50, Affinia Gardens, and The Benjamin all of which are located on Manhattan in New York City.

The borrowers on the loan are five limited liability companies as follows: 1) 371 Seventh Avenue Co., LLC, 2) 125 East 50th Street Co., LLC, 3) 215 East 64th Street Co., LLC, 4) 155 East 50th Street Co., LLC, and 5) 303 Lexington Avenue Co., LLC (individually a "Borrower" and together the "Borrowers"). Each of the borrowers is a Delaware limited liability company and each is a special purpose entity whose primary business is the performance of the obligations under the loan documents and the ownership and/or operation of one or more of the properties. The sponsors of the loan include Pebblebrook Hotel Trust ("Pebblebrook"), a Maryland real estate investment trust and Denihan Ownership Company LLC ("Denihan"), a New York limited liability company. Pebblebrook owns 49% and Denihan owns 51% of the interest in the Borrowers; together these entities are the non-recourse carveout guarantors for the loan and are guarantors under the completion guaranty.

The loan closed on December 27, 2012 and is a five year interest-only loan at a fixed interest rate of 3.673%.

Key Loan Metrics		
First Mortgage Loan Amount	$410,000,000	$267,624 per room
Mortgage Loan Term	5 years	
Maturity Date	Jan-2018	
Amortization	Interest-Only	
Interest Rate	3.6730%	

Morningstar valued the property using the direct capitalization method; our value by direct capitalization was approximately $632.1 million; this valuation was adjusted downward by $15.4 million which is the cost of equity investment associated with the ongoing renovations at the Affinia 50 hotel. The Morningstar value, which equates to $402,546 per room, is 29.3% lower than the appraised value of $872 million. The Morningstar valuation resulted in a beginning weighted-average loan-to-value ratio of 66.5%.

Analytical & Underwriting Metrics		
Metric	**Morningstar UW**	**Arranger UW**
Occupancy	89.74%	89.63%
Average Room Rate	$281.84	$291.02
Rooms RevPAR	$252.92	$260.83
Net Cash Flow (NCF)	$50,888,149	$55,955,896
Variance to Arranger NCF	-9.1%	n/a
Capitalization Rate	8.05%	6.42%
Capitalized Value/Appraised Value (1)	$632,100,264	$872,000,000
Less Value Adjustments (2)	($15,400,000)	n/a
Final Morningstar Value/Appraised Value (1)	$616,700,264	$872,000,000
Value Per Room (3)	$402,546	$569,191
Variance to Appraisal	-29.3%	n/a
Debt Yield on Net Cash Flow	12.4%	13.6%
Beginning LTV	66.5%	47.0%
Ending LTV (1)	64.9%	47.0%
Interest Only DSCR	3.33 x	3.66 x

Note:
(1) Arranger Capitalized Value is the appraiser's estimate of value; issuer's capitalization rate is the Issuer' underwritten net cash flow divided by the appraised value.
(2) The assumed balloon value does not have the $15.4 million deduction, and therefore, the Ending LTV is lower.
(3) Per room figures are calculated based upon 1,532 guest rooms and assumes expansion of the Affinia 50.

Morningstar determined the preliminary ratings for each class of the GS Mortgage Securities Corporation Trust 2013-NYC5 certificates by subjecting our estimated net cash flow and value conclusion to a variety of stresses in our proprietary CMBS Subordination Model. Morningstar will perform on-going monitoring of the rating on each class of certificates on a subscription basis in accordance with Morningstar's policies and procedures.

The Morningstar operational risk assessment ("ORA") ranking KeyCorp Real Estate Capital Markets, Inc., which is acting as Servicer and Special Servicer, is MOR CS1. For the full assessment reports and additional information, please access https://ratingagency.morningstar.com

Morningstar Perspective

The loan is secured by five upscale hotels located in Midtown Manhattan. The hotels represent an aggregate leverage of 66.5% based upon the Morningstar valuation and 47.0% based upon the appraised value. The following table presents a summary of our underwriting conclusions for each of the hotels in the portfolio.

Portfolio Overview						
	Affinia Manhattan	Affinia Shelburne	Affinia 50 (1)	The Benjamin	Affinia Gardens	Total
Number of Rooms	618	325	251	209	129	1,532
Allocated Loan Amount	$165,000,000	$89,000,000	$75,000,000	$42,000,000	$39,000,000	$410,000,000
Loan Amount Per Room	$266,990	$273,846	$298,805	$200,957	$302,326	$267,624
Morningstar NCF	$19,553,288	$11,143,716	$10,564,208	$4,672,877	$4,954,059	$50,888,149
Morningstar Value	$244,416,097	$139,296,447	$112,651,011	$58,410,966	$61,925,742	$616,700,264
Morningstar Value Per Room	$395,495	$428,604	$448,809	$279,478	$480,045	$402,546
Morningstar Trust BLTV	67.5%	63.9%	66.6%	71.9%	63.0%	66.5%
Morningstar Trust ELTV	67.5%	63.9%	58.6%	71.9%	63.0%	64.9%
Morningstar Current DSCR	3.18 x	3.36 x	3.78 x	2.99 x	3.41 x	3.33 x
Debt Yield	11.9%	12.5%	14.1%	11.1%	12.7%	12.4%
Appraised Value	$362,000,000	$182,000,000	$142,000,000	$103,000,000	$83,000,000	$872,000,000
Appraised Value Per Room	585,761	560,000	565,737	492,823	643,411	569,191
Appraised Value BLTV	45.6%	48.9%	52.8%	40.8%	47.0%	47.0%

Note: Appraisals prepared by Hospitality Valuation Services (HVS) in November 2012.

(1) The Affinia 50 is in the process of renovations which will increase the current room supply of 210 units to a total of 251 units. The term value assumes the deduction of the $15.4 million of future capital obligations. The ballon value assumes that these funds have been invested, and therefore, is not deducted. As a result, the BLTV is slightly higher than the ELTV.

The loan is interest-only throughout the term and results in strong debt service coverage of 3.33x based upon the Morningstar net cash flow ("NCF"). Morningstar's analysis of the loan, based on information provided on the arranger's website as of March 11, 2013, yielded a net cash flow of $50.89 million; this was 3.2% lower than the Borrower's budget for 2013 and is 9.1% lower than the Arranger's underwritten net cash flow.

The Bears Say

- Interest only loan – the loan is interest only throughout the term. Most hotel loans typically provide for a 25-30 year amortization schedule. This risk is mitigated somewhat by the fact that the debt service coverage on this loan is still strong if amortization is imputed to the current interest rate; utilizing the 3.6730% interest rate and a 25 year amortization schedule, the DSCR is 2.03x based upon the Morningstar underwriting.

- Two of the properties, Affinia Gardens and Affinia Shelburne, are in the process of obtaining amended certificates of occupancy to reflect their use as transient hotels. The Borrowers represented that the Affinia Shelburne property and the Affinia Gardens property have each completed the registration process administered by the New York City Department of Buildings, and the New York City Department of Buildings has confirmed that each property satisfies the registration criteria set forth in the New York State Multiple Dwelling Law that would allow the amendment of the certificate of occupancy of each property to legally permit its use as a transient hotel. The Borrowers further covenant to use best efforts (including the expenditure of all necessary amounts and repair and remediation of the applicable properties) to cause the certificate of occupancy for the Affinia

Gardens property and the Affinia Shelburne property to be amended to reflect and permit use as a transient hotel within 12 months following the loan origination.

The Bulls Say

- Low leverage – the portfolio leverage is 66.5% based upon the Morningstar term value and 47.0% based upon the appraised value. The total loan amount of $402,546 per room is well below the replacement cost for the properties.

- Strong Coverage – debt service coverage on the loan is 3.33x based upon the Morningstar estimate of net cash flow and 3.66x based upon the arranger's underwriting. The loan is interest only throughout the loan term, but if 25 year amortization were applied to the loan interest rate, the coverage would still be strong at 2.03x the Morningstar NCF.

- Strength of the Manhattan Lodging Market – The Manhattan lodging market is one of the strongest in the United States with occupancy levels continuously well in excess of 80%. Occupancy citywide remained strong during the last economic downturn dipping just below 80% for a short period in late 2009. Since that time occupancies have steadily increased to the current levels above 85% - essentially overall market has recovered to the occupancy level reflected prior to the recent downturn. Average room rates, however, still have not recovered to pre downturn levels - average room rates, which peaked at $306 during 2008, declined during the economic downturn but have been reflecting strong growth. The average rate in Manhattan was approximately $270 during 2012 and the appraiser forecasts average room rates in Manhattan to increase to $290 during 2013 and $311 during 2014.

- Strong RevPAR Penetration – With the exception of the Affinia Manhattan, all of the hotels in the portfolio reflect RevPAR penetration rates well above their fair share. RevPAR penetration illustrates a specific hotel's ability to achieve more or less than its fair share of rooms revenue among an identified set of direct competitors. RevPAR penetration during 2012 was 121.0% at the Affinia Shelburne, 122.4% for the Affinia 50, 108.3% for The Benjamin, and 133.2% for the Affinia Gardens. Although the RevPAR penetration at the Affinia Manhattan appears to be low relative to is competition at 85% during 2012, this result is highly influenced by the fact that there are no direct large hotel competitors in the immediate neighborhood and as a result, management needed to identify large hotels located in a stronger submarket in order to evaluate benchmarking. Furthermore, the hotel has been undergoing renovations over the last two years. Although it is not expected that the Affinia Manhattan will achieve more than its fair share of demand and RevPAR based upon the established competitive set, it is expected to reflect strong improvement over the near term.

- Extensive renovations – since 2007 the Borrowers have invested $80.9 million ($52,788 per key based upon 1,532 guest rooms) of capital upgrades and renovations of the hotels. In addition during 2013 it is expected that an additional $22.4 million will be invested to complete renovations to the Affinia Manhattan, Affinia 50, and the Affinia Garden. The loan agreement has specified all required renovations in a detailed Capital Plan (see page 20 of this presale) and the sponsors have provided a completion guaranty associated with this work. This investment has maintained and improved the market perception of the hotels and the brand. The hotels which completed renovations during 2008/2009 have already exhibited strong growth in market penetration and average room rates. It is expected that the recent and ongoing renovations will enable management to support continued growth in room rates through strategic market repositioning and through reduction of discounts and lower rated business.

- Strong centralized marketing team - Denihan Hospitality Group has been involved with the ownership and management of these hotels for more than 20 years and has experience with the marketing and operations of small boutique hotels in the Manhattan market. Marketing and revenue management at the company is highly centralized at the corporate office in New York City. Centralized sales directors call on local accounts and maintain relationships with meeting planners enabling property management to focus on operations and guest service. The corporate office spearheads international marketing initiatives including marketing to European, South American, and Australian leisure traveler booking systems and wholesalers which generates a large share of international travel to the hotels. The corporate office also handles all public relations, marketing, and yield and revenue management. This well established and centralized system provides the portfolio with marketing support that is not typically available to smaller boutique properties.

- Energy Efficiency Upside - The Borrowers have identified energy efficiency opportunities that are expected to provide an estimated $1.4 million of annual savings in utility expenses at the hotels. Approximately $1.1 million of these savings are projected to come from boiler conversions, HVAC guestroom control systems and new lighting. Upgrades already completed include the installation of low-flow aerators and showerheads. The Borrowers have covenanted to complete the energy efficiency plan elements and the sponsors have backed the project by providing a completion guaranty. Morningstar has not factored in energy savings into our normalized cash flow underwriting. If these savings are achieved, the value of each of these assets could increase by more than $15 million.

Property Site Visit

Morningstar conducted a site visit of all five hotels in the portfolio on Monday, March 4, 2013. The property visit included a full tour of each hotel and involved discussions with property management. In general, the hotels appeared to be clean, well-maintained, and in good condition. Based upon our evaluation, Morningstar assigned a property quality score of 3 to each of the properties which rates the hotels as average relative to their competitive market. Morningstar uses a scale of 1 to 5, with "1" being the highest quality. Factors including the property's age, location, and condition are considered in assigning the quality score. After assigning a quality score to each property, Morningstar then factors each score into the assignment of our capitalization rates. A more detailed discussion of each site tour is included in the individual Asset Summary Reports which are included in the Addenda of this presale report.

Credit Support Stresses

Morningstar's final net cash flow and capitalization rates for each property are matched with the corresponding loan characteristics and subjected to various stresses, including net cash flow declines, capitalization rate deterioration and default timing, in Morningstar's CMBS Subordination Model at each rating category. Additional stresses are applied to the cash flow of those properties contributing to portfolio level concentration risks. This is done separately to gauge the credit-worthiness of each loan during its term and at the balloon date. In the case of the latter, Morningstar additionally stresses the ability of the borrower to refinance the loan at higher loan constants. For instance, at the AAA level, Morningstar's analysis utilizes a stressed refinance loan constant of 12.0%.

The metrics shown below highlight the magnitude of cash flow and value decline after applying all of the stresses at each rating category. These are provided separately for the term default and balloon default analyses. By way of example, in assigning a rating of "AAA" to the Class A certificates, we subjected our concluded net cash flow to a weighted-average 52.5% decline and our concluded value to a weighted-average 66.4% decline in the term default analysis. In the balloon default analysis, these weighted-average declines were 42.0% and 57.1%, respectively. We should note that the balloon declines reflect the post-extension period improvement in those instances the stressed loan metrics allow for an extension at the balloon date. It should also be noted that these declines are applied to Morningstar's concluded net cash flow which in the overwhelming majority of cases is lower than the in-place net cash flow. These declines are weighted-average statistics. The declines applied to the individual properties differ and are a function of factors such as property type and concentration risks.

The resultant credit support levels based on these stresses are then compared to the levels of the actual capital structure to determine the appropriate rating level for each class of securities.

	AAA	AA	A	BBB	BB
Morningstar NCF Decline (Term)	52.5%	48.1%	43.8%	35.0%	28.3%
Morningstar Value Decline (Term)	66.4%	60.9%	56.1%	44.2%	36.0%
Morningstar NCF Decline (Balloon)	42.0%	38.5%	35.0%	31.5%	28.3%
Morningstar Value Decline (Balloon)	57.1%	52.5%	48.1%	41.2%	36.0%

Morningstar Rating Characteristics

Appendix C of this presale report contains general characteristics of Morningstar's rating of CMBS transactions as well as characteristics specific to this transaction.

Collateral Summary

Loan Collateral Summary

The loan is secured by the fee simple interest in four upper upscale hotels located in Midtown Manhattan. The hotels are attractive, well-maintained and have recently completed or are in the process of conducting major renovations to the public areas and guest rooms to improve overall guest perception and quality of the product offering. The following table presents a summary of pertinent facilities and amenities offered by each hotel in the portfolio.

Summary of Assets and Amenities

	Affinia Manhattan	**Affinia Shelburne**	**Affinia 50 (1)**	**The Benjamin**	**Affinia Gardens**
Location	7th Ave. between 30th & 31st Streets	Lexington Ave. between 37th & 38th	50th Street between Lexington & 3rd Ave.	NE corner of 50th & Lexington Avenue	64th between 2nd Ave. and 3rd Ave.
Room Supply					
Standard Hotel Rooms	321	190	148	48	0
Studio Units	138	65	59	64	0
One Bedroom Suites	144	62	19	96	44
Two Bedroom Suites	8	6	0	1	3
Junior Suites	0	0	25	0	77
Permanent SRO Units	7	2	0	0	5
Total	618	325	251	209	129
Year Built	1929	1925	1963	1927	1963
Year Renovated	2010-2013	2008-2009	2012-2013	2009-2010	2012-2013
Meeting Space (2)	9,455 sq. ft.	1,725 sq. ft.	550 sq. ft.	2,184 sq. ft.	n/a
Leased Retail/Office (3) (4)	4,860 sq. ft.	6,900 sq. ft.	7,518 sq. ft.	700 sq. ft.	n/a
Food & Beverage	Nile Restaurant	Rare Bar & Grill, Rare View Roof Lounge	Breakfast available in "The Club" guest lounge.	The National Restaurant & Bar	n/a
Room Service	Yes	Yes	No	Yes	No
Fitness Center	Yes	Yes	Yes	Yes	Yes
Business Center	Yes	Yes	Yes	Yes	Yes
Parking	109 spaces	n/a	n/a	n/a	n/a

Notes:
(1) The room nights by type of unit were estimates provided by property management. The hotel will be conducting major renovations during 2013 which will increase room supply from 210 units to 251 units.
(2) The Affinia 50 does not have dedicated meeting space; however, a portion of The Club guest lounge may be closed off and used for meetings; this space is approximately 550 square feet in size.
(3) Retail/Office space for Benjamin excludes the 3,500 sq. ft. occupied by the National Restaurant because this space is currently owner/operated. This space could be converted to a retail lease in the future.
(4) The Retail/Office space for the Shelburne includes the 2,830 sq. ft. RARE restaurant because this space is leased to a third party.

The Affinia Brand

Denihan Hospitality Group has been involved with the ownership and management of these hotels for more than 30 years and as such has extensive experience with the marketing and operations of small boutique hotels in the Manhattan market. Formerly known as Manhattan East Suite Hotels, the company launched the Affinia brand during 2003. Each of the hotels will be marketed under the Affinia name throughout the loan term with the exception of The Benjamin. All of the hotels are, however, are operated under the centralized marketing and reservation systems managed by Affinia Hospitality.

Centralized Reservations & Marketing

Marketing and revenue management at the company is highly centralized at the corporate office in New York City. The company initiates brand-wide print and media advertising (particularly in the New York metropolitan area) that generates local corporate and leisure demand to each of the hotels. With the exception of the Affinia Manhattan, each of the hotels shares a Director of Sales and Marketing with 1-2 other hotels in the group - typically hotels that are similar in market orientation and target audience. Sales directors call on local accounts and maintain relationships with meeting planners enabling property management to focus on operations and guest service. The corporate office spearheads international initiatives including marketing to European, South American, and Australian leisure traveler booking systems and wholesalers which generates a large share of international travel to the hotels. The corporate office also handles all public relations, marketing, and yield and revenue management. This well established and centralized system provides these hotels with marketing support that is not typically available to a small, boutique hotel. The Affinia Manhattan will benefit from all above services, but will also have in-house sales, yield management, and marketing personnel due to the hotel's larger size and the plan to reposition the hotel to target high-rated corporate and group business.

My Affinia

The My Affinia concept is essentially a guest history and tracking database; repeat guests may create a profile entering in preferences for items such as type of preferred amenities. All of the hotels offer guests a choice of six different pillow types, phone charges, and various grooming options and repeat guests can request certain services when booking a reservation. An example of other services offered includes the "Stay Fit kit"; if a guest registers for this program, when they check in the room will include workout gear including a yoga mat, weights, workout bands, and pedometer. This type of additional service is designed to create guest loyalty, and therefore, repeat customers and referrals. Guests create a profile with the Affinia reservations system and are then encouraged to book through the proprietary system which gives management better control of pricing and reservations as well as reduce the costs paid to third party intermediaries.

Collateral Features / Concerns

Based solely on a review of the materials enumerated herein, the following reflect highlights of certain material property features and/or concerns.

Historical Capital Expenditures and Ongoing Renovations

The portfolio has undergone significant capital expenditures over the last few years renovating the hotels to update décor and improve the market position of the hotels within its competitive market. Since 2007, the hotels have undergone $16.7 million of capital expenditures and $64.2 million of renovations. Renovations are ongoing at the Affinia Manhattan, the Affinia Gardens, and the Affinia 50 hotels and will result in the additional investment of an estimated $22.4 million during 2013 alone. Based upon our property tours, the past and planned renovations have updated the hotels to a more modern style of furnishing which is in line with that offered by other, newer hotels in the competitive market. A more detailed discussion of past and planned renovations are provided in the Asset Summary Reports which are included as part of the addenda to this presale report.

Summary of Historical and Projected Capital Expenditures						
	Affinia Manhattan	Affinia Shelburne	Affinia 50	The Benjamin	Affinia Gardens	Total
Capex 2007-2012	4,925,432	2,666,409	2,845,972	3,661,897	2,608,094	16,707,804
Renovations 2007-2012	31,891,000	26,945,000	-	5,328,000	-	64,164,000
Total Invested 2012-2012	36,816,432	29,611,409	2,845,972	8,989,897	2,608,094	80,871,804
Per Room	*59,574*	*91,112*	*11,339*	*43,014*	*20,218*	*52,788*
Investment During 2013	3,527,290	-	15,407,512	-	3,500,000	22,434,802
Per Room	*5,708*	-	*61,385*	-	*27,132*	*14,644*

Note: (1) The Affinia 50 is in the process of renovations which will increase the current room supply of 210 units to a total of 251 units. te to $15.4 million and this value has been deducted from our capitalized value to determine the Morningstar term value.

Affinia Manhattan


Affinia Manhattan


Affinia Shelburne


Affinia 50


The Benjamin

Affinia Gardens

Energy Efficiency Upgrades

The Borrowers have identified energy efficiency opportunities that are expected to provide an estimated $1.4 million of annual savings in utility expenses at the hotels. Approximately $1.1 million of these savings are projected to come from boiler conversions, HVAC guestroom control systems and new lighting. Upgrades already completed include the installation of low-flow aerators and showerheads. The Borrowers have covenanted to complete the following energy efficiency plan elements and the Sponsors have backed the project by providing a completion guaranty.

According to the Sponsors, energy efficiency savings at the portfolio through boiler conversions amount to $633,000 per year, HVAC system savings total $288,000 per year and lighting conversions are estimated to save $153,000 per year for the portfolio. Other savings that total $292,000 come from projects which include the installation of low-flow aerators and new showerheads, the replacement and repair of pipe insulation, the installation of occupancy sensors and the replacement of lamps and ballasts.

Zoning

Two of the properties, Affinia Gardens and Affinia Shelburne, are in process of obtaining amended certificates of occupancy to reflect their use as transient hotels. The Borrowers represented that the Affinia Shelburne property and the Affinia Gardens property have each completed the registration process administered by the New York City Department of Buildings, and the New York City Department of Buildings has confirmed that each property satisfies the registration criteria set forth in the New York State Multiple Dwelling Law that would allow the amendment of the certificate of occupancy of each property to legally permit its use as a transient hotel. The Borrowers further covenant to use best efforts (including the expenditure of all necessary amounts and repair and remediation of the applicable properties) to cause the certificate of occupancy for the Affinia Gardens property and the Affinia Shelburne property to be amended to reflect and permit use as a transient hotel within 12 months following the loan origination.

Market Area Overview

General Overview

New York City is recognized as an international commercial and cultural center, and with more than eight million residents, it is one of the most populous cities in the nation and one of the largest in the world.

Office Space

All of the hotels in the portfolio accommodate demand generated by companies and organizations in the Midtown area. The office market in Midtown is one of the strongest in the United States and has been able to sustain strong growth in rental rates over the last several years. Overall the Midtown office market is reflecting a vacancy rate of 11.6%. Rental rates in the Midtown market are some of the highest in the nation averaging $78.60 for Class A space and $49.99 for Class B office space. The following table presents a summary of office market conditions in Midtown

	Inventory (Sq. Ft.)	Available (Sq. Ft.)	Vacancy Rate	Avg. Asking Class A	Avg. Asking Class B
East Side/United Nations	21,082,455	1,940,120	9.20%	$64.05	$48.44
Fashion District	33,012,674	3,289,921	10.0%	45.00	43.72
Grand Central	48,788,839	6,756,730	13.8%	65.92	48.20
Park Avenue	30,089,432	3,022,803	10.0%	86.63	78.49
Penn Plaza/Hudson Yards	14,472,528	1,645,737	11.4%	55.09	52.86
Times Square	18,034,367	1,493,941	8.3%	87.60	63.74
Midtown	256,300,194	29,738,754	11.6%	$78.60	$49.99

Source: Cassidy Turley, February 2013 Office Market Report.

The hotels in the portfolio accommodate demand generated by companies located in the Midtown area particularly in the East Side/United Nations, Grand Central, Fashion District, and Penn Plaza/Hudson Yards submarkets. Management of the hotels indicated that increased commercial demand overall has resulted in the ability to support growth in room demand generated by corporate accounts and individual corporate travelers alike which traditionally generate stronger room revenues for the hotels than discounted leisure and wholesale business.

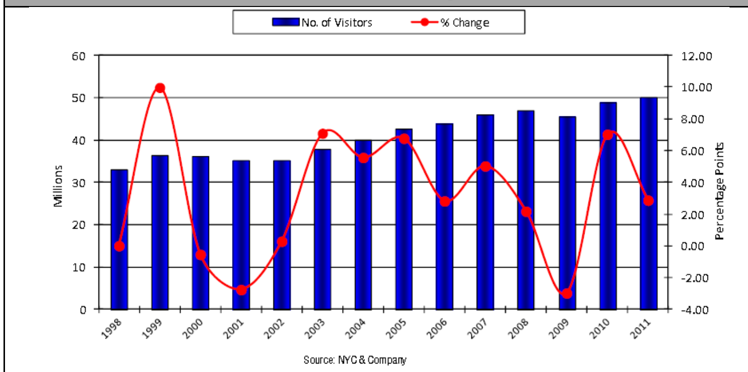
Tourism and Visitation

Renowned for its cultural attractions, entertainment, restaurants, and retail outlets, New York City is one of the most popular tourist destinations in the country. It is home to the United Nations, the Statue of Liberty, and the Empire State Building. The theaters in the Broadway district attract are a popular tourist attraction and the Lincoln Center (the home of the Metropolitan Opera, the New York Philharmonic, the New York City Ballet and Opera, and the Juilliard School) is among the world's most important centers for the performing arts. The Metropolitan Museum of Art, the Museum of Modern Art, the American Museum of Natural History, and a number of the City's other museums and galleries are internationally known.

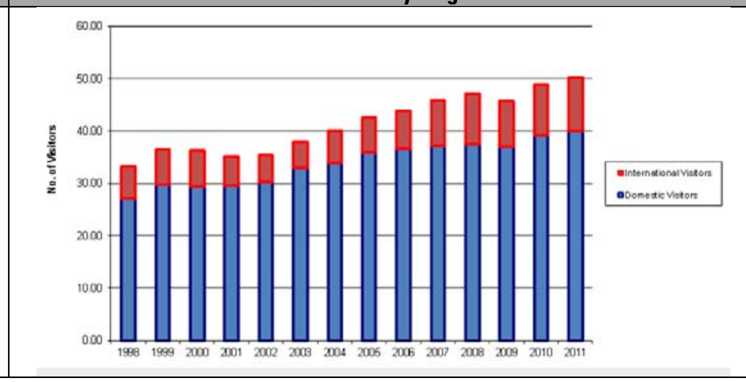
According to information contained with the appraisals, New York City is one of the most popular and frequently visited destinations in the United States. In 2011, the City accommodated roughly 50.2 million visitors, setting an all-time high and achieving its goal a year ahead of the target date. Of the overall visitation figure, roughly 10.1 million hailed from international markets, maintaining the City's rank as the number one U.S. destination for overseas travelers. The City also maintained its status as the number one destination in tourism spending in the U.S. with approximately $32 billion spent. Tourism accounts for a $48 billion economic impact and supports 320,000 jobs in the City.

According to information provided by the NYC & Company, visitation to New York City has been steadily increasing over the last decade. As illustrated in the charts on the following page, although growth slowed during the economic downturn, total visitors remained well above 40 million since 2005. The city is popular with domestic and international travelers alike. The fact that the city is such a strong draw to international visitors from all over the world is an advantage as the visitation remains steady while the origination of the visitors may change. According to NYC & Company (the New York City marketing and convention and visitors bureau), during the 1990s and early 2000s a large share of the visitors to the area were European and Asian travelers; since the economic downturn demand from these locations has declined slightly but the decline has been largely replaced by South American and Australian visitors. Affinia is well aware of this trend and, according to property management, has been successful in attracting leisure travelers from these growing markets. The following table presents a summary of historical visitation and trends in the mix of visitors by origination.

Trends in Number of Visitors



Mix of Visitors by Origination

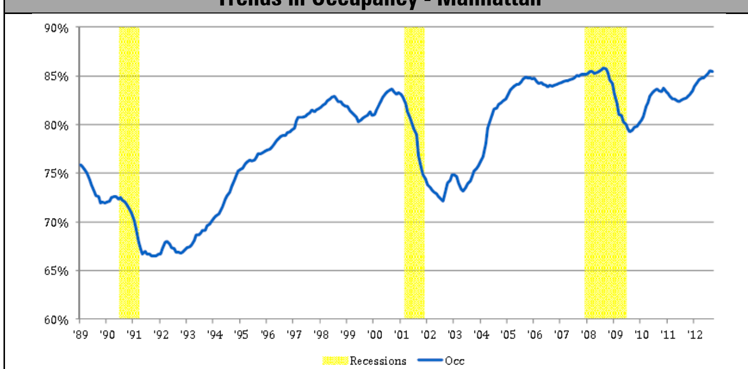


Source: NYC & Company, HVS Valuation Services.

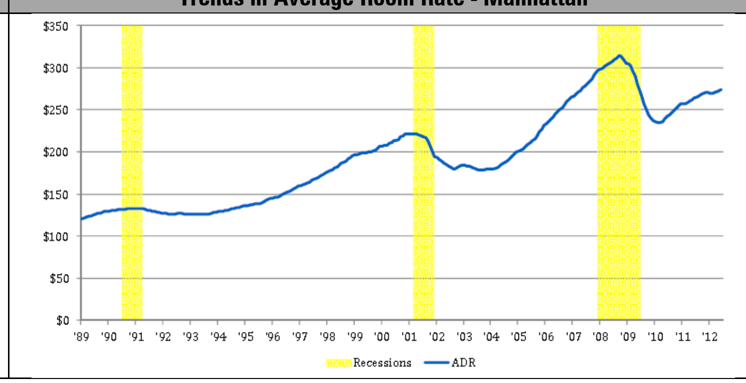
Lodging Trends in Manhattan

The Manhattan lodging market is one of the strongest in the United States with occupancy levels continuously well in excess of 80%. As illustrated on the following table, occupancy remained strong during the last economic downturn dipping below 80% for a short period in late 2009. Since that time occupancies have steadily increased to the current levels above 85%. Average room rates, which peaked at $306 during 2008 declined during 2009 and 2010 but have been reflecting strong growth since. Average room rates levels have not yet recovered to the past high and are expected to support strong growth over the near to medium term.

Trends in Occupancy - Manhattan



Trends in Average Room Rate - Manhattan



Source: Smith Travel Research, HVS Valuation Services.

Trends of the Identified Competitive Set

Based upon the location, market orientation, and asset quality management of the hotels has identified a competitive set for evaluation and comparison. The following table presents a summary of aggregate market rooms RevPAR and RevPAR penetration for each hotel's identified competitive set. As indicated below, each of the identified submarkets have reflected growth over the last several years. The hotels in the Murray Hill market which compete with the Affinia Shelburne did reflect a slight decline in occupancy during 2011 and 2012 but reflected average room rate growth of 4.0% and 7.0% during the same years, respectively.

Trends in Occupancy in the Identified Competitive Set					
Year	Affinia Manhattan	Affinia Shelburne	Affinia 50	The Benjamin	Affinia Gardens
2010	91.7%	78.1%	89.1%	82.2%	81.2%
2011	92.2%	77.6%	89.8%	85.8%	81.9%
2012	95.1%	74.8%	86.3%	86.4%	85.7%

Source: Smith Travel Research

Trends in Average Room Rate in the Identified Competitive Set					
Year	Affinia Manhattan	Affinia Shelburne	Affinia 50	The Benjamin	Affinia Gardens
2010	$246.05	$229.15	$220.37	$301.58	$249.84
2011	$266.54	$238.36	$233.97	$313.97	$260.75
2012	$274.70	$255.02	$242.59	$317.58	$261.36

Source: Smith Travel Research

Rooms RevPAR is defined as total rooms revenue divided by available room nights and is a strong indicator of the overall revenue potential of each hotel and submarket. As illustrated in the following table, rooms RevPAR in each of the identified markets has reflected steady growth over the last two years. Evaluation of RevPAR penetration compares each hotels RevPAR with that of the competitive set; a penetration index greater than 100% indicates that the subject hotel is achieving more than its fair share of market demand and revenue. As illustrated below, with the exception of the Affinia Manhattan, all of the hotels in the portfolio are achieving more than their fair share of market demand. In the case of the Affinia Manhattan because there are no hotels similar in size and market orientation in the immediate surrounding area, management has selected several hotels in the Times Square submarket for the purposes of comparison and benchmarking. Because the subject is approximately 10 blocks south of Times Square, the hotel is unable to achieve the occupancy and rate levels reflected by those hotels. The RevPAR penetration rate of 84.9% reflected during 2012 is actually quite strong given the locational disadvantage and the fact that the subject hotel has been undergoing renovations over the last few years.

Trends in Rooms RevPAR in the Identified Competitive Set					
Year	Affinia Manhattan	Affinia Shelburne	Affinia 50	The Benjamin	Affinia Gardens
2010	$225.56	$178.86	$196.35	$247.88	$202.89
2011	$245.84	$185.07	$210.06	$269.33	$213.47
2012	$261.32	$190.75	$209.29	$274.39	$223.98

Source: Smith Travel Research

Trends in RevPAR Penetration					
Year	Affinia Manhattan	Affinia Shelburne	Affinia 50	The Benjamin	Affinia Gardens
2010	85.4%	106.8%	120.9%	108.8%	135.4%
2011	75.5%	119.4%	122.0%	108.5%	139.4%
2012	84.9%	121.0%	122.4%	108.3%	133.2%

Source: Smith Travel Research

Morningstar Analysis and Valuation

Morningstar evaluated the asset's historical cash flow, occupancy levels, average room rate, operating expenses, and fixed expenses. Morningstar's estimates of revenue and expenses, as well as our analytical approach, are discussed below.

Morningstar Estimate of Net Cash Flow

Room Revenue

Morningstar estimated the occupancy and average room rate for each hotel based upon an evaluation of historical operating results and on market information provided by Smith Travel Research and in the appraisal. The appraiser identified a competitive set for each hotel and presented detailed operating results for each competitor and estimated future operating potential for each hotel based upon a review of market penetration and segmentation. Morningstar reviewed and considered these data in our evaluation. We estimated normalized operating levels for each hotel based upon improving market conditions citywide and in the local market and also attempted to factor in the potential upside that recent and ongoing renovations will have on the individual assets.

Other Income and Expenses

- Food and Beverage revenue was estimated based upon the historical income per occupied room and were applied to our estimate of normalized occupancy for each hotel.
- Minor Operated Departmental revenue was estimated based upon the historical income per occupied room and were applied to our estimate of normalized occupancy for each hotel.
- Rooms departmental expenses were estimated based upon the historical income per occupied room and were applied to our estimate of normalized occupancy for each hotel.
- Food and Beverage expenses were evaluated based upon the historical expenditures as a percentage of Food & Beverage sales.
- Minor Operated departments were evaluated based upon the historical expenditures as a percentage of Minor Operating departmental income.
- Administrative General expenses were estimated based upon the historical expenditures on a per available room basis.
- Sales and Marketing expenses were estimated based upon the historical expenditures on a per available room basis.
- Management Fees were estimated to be 3.0% of gross revenue.
- Utilities were estimated expenses were estimated based upon the historical expenditures on a per available room basis. Morningstar did not factor in any expense savings associated with the renovations to improve energy efficiency.
- Repairs and Maintenance expenses were estimated based upon the historical expenditures on a per available room basis.
- Real estate taxes were estimated based upon the maximum of historical expenses inflated by 3.5%, budgeted expenses, and the arranger's estimate.
- Insurance expenses were estimated based upon the total cost reflected in the arranger's budget for calendar year 2013.
- Other Fixed Expenses were estimated based upon the arranger's underwriting.
- Reserve for Replacement of Furniture Fixtures and Equipment were estimated based upon 4.0% of gross revenue.

Morningstar Valuation

Morningstar estimated the value of each asset based the income capitalization approach to value. Capitalization rates are estimated quarterly by Morningstar for the hospitality sector in each region and major metropolitan area based upon a review of investor surveys including Real Estate Research Council, PWC Real Estate Investor Survey (Korpacz), as well as a review of research and comparable sales information provided by Real Capital Analytics. The Morningstar capitalization rate for the New York City metropolitan area is 7.80%. This base capitalization rate was adjusted to reflect the relative location, quality, and condition of the subject asset relative to the overall market. Morningstar's capitalization rates for these hotels ranged from 8.0% to 8.25% with a weighted average of 8.05%. The capitalized value was adjusted downward by $15.4 million to reflect the future capital expenditure obligations associated with the renovation at the Affinia 50 Hotel. The following table presents a summary of the valuation approach and conclusions for each of the assets in the portfolio.

Summary of the Morningstar Valuation						
	Affinia Manhattan	**Affinia Shelburne**	**Affinia 50 (1)**	**The Benjamin**	**Affinia Gardens**	**Total**
Number of Rooms	618	325	251	209	129	1,532
Occupancy	88.0%	93.7%	86.7%	90.5%	92.5%	89.7%
Average Room Rate	$257.37	$251.58	$316.51	$332.75	$326.79	$281.84
Rooms RevPAR	$226.58	$235.84	$274.35	$301.23	$302.19	$252.92
Net Cash Flow (NCF)	$19,553,288	$11,143,716	$10,564,208	$4,672,877	$4,954,059	$50,888,149
Variance to Issuer NCF	-11.3%	-4.3%	-8.0%	-15.4%	-6.0%	-9.1%
Capitalization Rate	8.00%	8.00%	8.25%	8.00%	8.00%	8.05%
Capitalized Value	$244,416,097	$139,296,447	$128,051,011	$58,410,966	$61,925,742	$632,100,264
Less Value Adjustments	n/a	n/a	$15,400,000	n/a	n/a	-$15,400,000
Final Morningstar Value	$244,416,097	$139,296,447	$112,651,011	$58,410,966	$61,925,742	$616,700,264
Value Per Room	$395,495	$428,604	$448,809	$279,478	$480,045	$402,546

Note: (1) The Affinia 50 is in the process of renovations which will increase the current room supply of 210 units to a total of 251 units. The Borrower estimates that the renovations to be completed during 2013 will equate to $15.4 million and this value has been deducted from our capitalized value to determine the Morningstar term value.

The table on the following page presents a summary of historical operating results for 2010, 2011, 2012, the arranger's underwriting, and Morningstar's conclusions.

	Morningstar Underwriting	Year End 2010	Year End 2011	Year End 2012	Arranger Underwriting
Number of Days	365	365	365	366	365
Number of Rooms	1,532	1,399	1,452	1,491	1,532
Occupancy	89.7%	88.6%	84.8%	91.3%	89.6%
Average Room Rate	$281.84	$243.23	$264.15	$266.62	$291.02
Rooms RevPAR	$252.92	$215.59	$224.11	$243.34	$260.83
Income					
Rooms	$141,428,959	$110,086,303	$118,801,537	$132,791,739	$145,848,555
Food & Beverage	13,151,589	5,435,944	10,849,304	13,276,342	13,211,243
Minor Operated Departments	2,199,719	2,662,904	2,734,259	2,186,230	2,198,436
Lease Revenue	2,541,094	2,396,592	2,431,685	2,512,323	2,512,323
Total Revenue	**$159,321,360**	**$120,581,743**	**$134,816,785**	**$150,766,635**	**$163,770,557**
Departmental Expenses					
Rooms	$36,955,132	$32,224,531	$34,042,975	$37,081,066	$37,339,959
Food & Beverage	12,346,099	5,932,066	11,095,460	12,471,109	12,410,871
Minor Operated Departments	716,742	753,441	724,554	716,497	717,605
Total Dept. Expenses	**$50,017,973**	**$38,910,038**	**$45,862,989**	**$50,268,673**	**$50,468,435**
Departmental Profit	**$109,303,387**	**$81,671,705**	**$88,953,796**	**$100,497,962**	**$113,302,122**
Undistributed Operating Expenses					
General & Administrative	$13,096,701	$11,737,774	$12,668,927	$12,786,227	$12,786,227
Advertising & Marketing	10,344,242	8,023,004	9,783,521	10,418,272	10,418,272
Repairs & Maintenance	5,219,839	4,764,576	4,927,347	5,089,318	5,245,303
Utilities	4,656,415	4,128,696	4,409,415	4,631,304	3,698,440
Management Fees	4,779,641	3,617,452	4,044,358	4,538,047	4,913,117
Fixed Expenses					
Real Estate Taxes	$13,177,201	$10,438,737	$10,871,251	$11,678,635	$12,923,787
Property Insurance	653,000	1,066,764	1,040,446	591,184	694,912
Other Fixed	115,346	132,757	218,415	115,346	115,346
Total Operating Expenses	**$102,060,357**	**$82,819,798**	**$93,826,667**	**$100,117,005**	**$101,263,839**
Net Operating Income	**$57,261,003**	**$37,761,945**	**$40,990,117**	**$50,649,630**	**$62,506,718**
Reserve for Replacement of FF&E	$6,372,854	$4,823,270	$5,392,671	$6,030,665	$6,550,822
Net Cash Flow	**$50,888,149**	**$32,938,675**	**$35,597,446**	**$44,618,964**	**$55,955,896**

Loan Summary

General Loan Terms

The collateral for the GS Mortgage Securities Corporation Trust 2013-NYC5 is a $410 million first mortgage loan funded by Goldman Sachs Mortgage Company which closed December 27, 2012. The loan is a five-year interest-only loan at a fixed interest rate of 3.673%. The financing was funded to refinance existing debt of roundly $553.2 million; the Borrowers funded an additional $112.2 million and provided a $50 million partnership loan which is fully subordinated to the mortgage debt. The former debt included the Affinia Dumont Hotel but this loan was de-levered as part of this transaction and is not part of the new loan's portfolio. The loan matures in January 2018 and there are no extension options.

Sources of Funds		Uses of Funds	
First Mortgage	$410,000,000	Repay Existing Debt (1)	$553,173,204
Unsecured Partner Loan	50,000,000	Closing Costs and Other	7,198,998
New Sponsor Equity	112,588,637	Upfront Escrow and Reserves	12,216,435
		Equity Distribution	0
Total Sources	$572,588,637	Total Uses	$572,588,637

Note: (1) The debt repaid included the Affinia Dumont Hotel as collateral; this hotel has not been included in the current financing and is reportedly now free and clear of debt.

Borrowers and Sponsors

The borrowers on the loan are five limited liability companies as follows: 1) 371 Seventh Avenue Co., LLC, 2) 125 East 50th Street Co., LLC, 3) 215 East 64th Street Co., LLC, 4) 155 East 50th Street Co., LLC, and 5) 303 Lexington Avenue Co., LLC (individually a "Borrower" and together the "Borrowers"). Each of the borrowers is a Delaware limited liability company and each is a special purpose entity whose primary business is the performance of the obligations under the loan documents and the ownership and/or operation of one or more of the properties.

The sponsor of the loan includes Pebblebrook Hotel Trust ("Pebblebrook"), a Maryland real estate investment trust and Denihan Ownership Company LLC ("Denihan"), and New York limited liability company. Pebblebrook owns 49% and Denihan owns 51% of the interest in the Borrowers; together these entities are the non-recourse carveout guarantors for the loan and are guarantors under the completion guaranty.

Pebblebrook owns 26 hotels with a total of 4,960 guest rooms and a 49% joint venture interest in six hotels with a total of 1,733 guest rooms. Pebblebrook is headed by Jon Bortz, formerly the founder and chief executive officer of LaSalle Hotel Properties, a publicly traded real estate investment trust. Prior to that he led Jones Lang LaSalle's Hotel Investment Group. Denihan is a privately-held hotel management, ownership, and development company that owns and/or operates boutique hotels in Manhattan, Chicago, Miami, and Washington DC. The company holds an ownership interest in eight hotels in Manhattan and operates three other hotels for third party owners. The company also owns and operates the Affinia brand which is used to flag four of the five hotels in the portfolio.

Each of the properties is leased to another single-purpose entity (each, an "Operating Lessee") under a separate operating lease (an "Operating Lease"), each dated as of July 29, 2011. Each of the Borrowers is 100% indirectly owned by a joint venture entity, DP Fee Holding Co., LLC, a Delaware limited liability company, which is 51% directly owned by the Denihan Sponsor and 49% indirectly owned by the Pebblebrook Sponsor. All of the equity interests in each Operating Lessee were pledged by DP Lease Mezz I Holding Company, LLC, a Delaware limited liability company, which is 51% indirectly owned by Denihan and 49% indirectly owned by Pebblebrook, to the lender as additional collateral for the mortgage loan pursuant to a pledge and security agreement.

Unsecured Partner Loan

On the Origination Date, a wholly-owned subsidiary of Pebblebrook Hotel, L.P., made an unsecured partner loan ("Unsecured Partner Loan") to DP Fee Holding Co., LLC, the joint venture that indirectly owns the portfolio. By its terms, the only default under the Unsecured Partner Loan is a maturity date default (and the maturity date of the Unsecured Partner Loan is approximately six months after the maturity date of the Mortgage Loan). The Unsecured Partner Loan is contractually and structurally subordinate to the mortgage loan, is not an obligation of the Borrowers, is prepayable at any time and has an initial annual coupon of 9.75% which is payable only if and when cash flow is available. Please also see the Additional Debt section on page 19 of this presale report.

Management Agreement

The hotels will be operated by DHG Management Company LLC ("DHG") which is an affiliate of the Denihan sponsor, the Borrowers, and the Operating Lessees. DHG is the property manager of each of the properties in the portfolio pursuant to five separate management agreements, each dated as of July 29, 2011. With the exception of The Benjamin, the hotels will be operated under the "Affinia" brand which is controlled by affiliates of Denihan. The Benjamin hotel is required to continue to be branded at all times as "The Benjamin". Fees under the management agreement include a base fee equivalent to 3.0% of gross revenue and an incentive fee equal to 15% of the amount for which net operating income exceeds the incentive fee threshold. The incentive fee threshold is calculated as the total initial acquisition costs for each hotel and is adjusted for ongoing capital expenditures and renovations which are not funded by the reserve for replacement of furniture, fixtures, and equipment. Based upon Morningstar's evaluation of the incentive fee threshold (including current/ongoing renovations) and underwritten estimate of net operating income, no incentive fees are earned and payable at this time. In addition to management fees, the contract provides for the reimbursement of centralized services including reservations, advertising and marketing. The marketing contribution charged to the hotels is 1.5% of gross revenue which is in line with (or slightly lower than) the typical charges allocated by national US franchise companies.

The owner has the right to terminate the agreement if (i) there is an event of default by the manager under the terms of the contract, (ii) if the performance of the hotel is less than 85% of the NOI set forth in the annual operating projection and if room revenue per available room is less than 90% of the RevPAR index of the competitive set, and (iii) if Marriott International acquires DHG Management Company LLC.

Loan Structural Components

SPE and Bankruptcy Remoteness

The borrowers (and operating lessees) are required under the loan documents and their organizational documents to maintain themselves as special purpose entities generally limited in their activities to ownership and operation of the mortgaged property (or acting as operating lessees under the operating leases for the properties). The loan documents and borrowers' organizational documents also include limitations on the borrowers' ability to incur additional indebtedness and additional covenants regarding the borrowers' separateness from other entities. While the borrowers are generally limited in incurring additional indebtedness, the loan allows for broader and/or higher thresholds of permitted debt than may be customary for a transaction of this type and size. The borrowers (and the operating lessees) are also required to have independent managers whose consent is required for certain bankruptcy matters. Although the loan documents and organizational documents require the borrowers to comply with certain covenants relating to the borrowers' separateness, and the borrowers make certain representations regarding their previous existence, the borrowers (and operating lessees) existed prior to the origination of the loan. While pre-existing entities present a higher risk than newly formed single purpose entities, a nonconsolidation opinion relating to the borrowers (and the operating lessees) was provided. However the nonconsolidation opinion does not include certain preferred and/or customary pairings between the borrowers and certain affiliated entities, including DHG Management Company, LLC.

While single purpose entity borrowers are intended to lessen the possibility that a borrower's financial condition would be adversely impacted by factors unrelated to the mortgaged property and the mortgage loan, there is no assurance that such borrowers will not nonetheless become part of a bankruptcy proceeding.

Voluntary Prepayment

The loan provides for a prepayment lock-out during which voluntary prepayments are prohibited; after October 2017, the loan may be prepaid at any time. In certain casualty or condemnation circumstances, Borrowers may make prepayments. If not used to effect a defeasance, such prepayments shall be applied to the notes or note components in ascending order of interest rate (i.e. first to the lowest interest rate) or in such other order as the lender shall determine, which application may result in an increase in the weighted average of the interest rate applicable to such notes or note components.

Defeasance

After 24 months, all or a portion of the loan may be defeased without the payment of a yield maintenance or prepayment premium. If the loan is not defeased in full, then the debt yield (calculated based upon the most recent trailing 12 month period) of the remaining collateral shall not be higher than the debt yield at origination date and the debt yield of the portfolio immediately prior to the defeasance. Defeasance is a process whereby highly rated government securities replace the mortgage in a sufficient amount to continue the monthly payments. The loan may be prepaid at any time during the three months prior to the maturity date.

If the loan is partially or fully prepaid prior to the end of the lock-out period without defeasance, the borrower must pay a yield maintenance charge or prepayment premium equal to one percent of the amount being prepaid and the net present value of monthly payments that would have been incurred associated with the amount being prepaid.

Defeasances of one or more properties are permitted subject to conditions in the loan documents. In the event of partial defeasance, the defeasance will be applied sequentially to the loan components. To the extent any loan component or portion of a loan component has been defeased; such portion of the mortgage loan will be paid from the defeasance collateral and will not be collateralized by the properties. Any non-defeased portions of the mortgage loan will be collateralized by the remaining properties and not the defeasance collateral. As a result, it is possible that the principal balance of a non-defeased loan component having a lower payment priority could be paid down faster than a more senior defeased component due to payments or prepayments on the properties.

Property Release

As long as no event of default is in place, the Borrowers have the right to release The Benjamin Hotel and prepay the mortgage loan in an amount equal to the release price for the hotel (115% of the allocated loan amount) so long as the debt yield (calculated based upon the most recent trailing 12 month period) for the remaining portfolio shall not exceed the greater of the debt yield for the pool immediately prior to the release or 10.96%. If the release occurs prior to December 27, 2014, then the Borrowers shall pay a yield maintenance premium.

Additional Debt

The loan documents permit an unsecured partner loan(s) from Pebblebrook Hotel Operating Partnership, L.P. to DP Fee Holding Co., LLC subject to certain conditions including that such loan is unsecured by any collateral, is subordinate to the mortgage loan and has a maturity date that is no less than 180 days after the mortgage loan maturity date. Conditions also include that such unsecured partner loan has no events of default other than failure to repay the loan in full on its maturity date and permits unpaid interest to accrue without penalty or default. There is no limit on the amount or number of such unsecured partner loan(s). Per the arranger, such a partner loan was made, which partner loan has a term beyond the term of the mortgage loan and is not enforceable while the mortgage loan is outstanding. Such additional debt may impede a workout and/or extension of the mortgage loan or impact the sale of the mortgage loan or property. Risks of additional debt may also include (i) reduced borrower "skin-in-the-game" that may remove incentives to maintain or improve the competitiveness of the properties resulting in lower income streams and (ii) increase in the difficulty of refinancing a mortgage loan at the maturity date.

Loan Features / Concerns

Based solely on a review of the documents enumerated herein, the following reflect highlights of certain material loan features and/or concerns.

Cash Management

Pursuant to the loan documents, the borrowers are required to establish and maintain a cash management account under the control of the lender. Borrowers are required to cause the approved property manager to remit all revenues from the property (other than tenant security deposits required to be held in escrow accounts) to the cash management account or a blocked account within one business day of receipt. Amounts in a blocked account are to be remitted on each business day to an account specified by the lender (which will be the cash management account as long as no there is no event of default).

The loan documents require operating lessees to maintain a qualified operating expense account (which is pledged to the lender). Until an event of default, operating lessees and the approved property manager are permitted to have access to and be permitted to make withdrawals and (unless certain trigger events occur) equity distributions from the qualified operating expense account. The cash management bank is required to remit from the cash management account to the qualified operating expense account each business day (or less frequently at borrowers' election) the amount, if any, by which amounts in the cash management account exceed the aggregate amount required to be paid or reserved with lender on the next payment date.

Amounts in the cash management account are required to be applied in accordance with the waterfall provided in the loan documents. During an event of default, lender may apply funds in the cash management account (and the qualified operating expense account and the borrower FF&E account) towards the debt and/or property expenses in its discretion.

As described above, while lender has discretion and control over funds post event of default, prior to an event of default and/or certain trigger events, various funds, including amounts in the qualified operating expense account, may not be not under lender control and reserves may not be required to be funded or under lender control. This could result in funds being applied in a manner that deviates from the manner in which such funds would have been applied if under lender control and discretion and/or could result in the leaking of certain funds for other purposes.

Capital Plan

The loan agreement requires that the Borrowers complete certain capital improvements at the hotels (the "Capital Plan"). The following summarizes the Borrower's obligations under the Capital Plan:

- A-50 Capital Plan: the Borrowers must complete a renovation of the Affinia 50 hotel according to the specified scope and timing set forth in the addenda of the loan agreement. The work must be substantially completed by October 31, 2013 and shall include a minimum expenditure of $17.5 million; if less than $17.5 million is spent on the renovation, the difference between the amount spent below this target level shall be deposited in the Reserve for Replacement escrow account. According to information provided by the arranger, the total project cost is estimated to be $18,448,627 with approximately $15.4 million of the costs remaining as of January 31, 2013.
- Energy Efficiency Plan: the Borrowers must complete certain improvements specified in the loan agreement relating to improving the energy efficiency at the Affinia Manhattan, Affinia 50, and Affinia Shelburne for an estimated total projected cost of $2,442,800. According to information provided by the arranger, this work is expected to be completed by the end of 2014.
- Affinia Manhattan Capital Plan: the Borrowers must complete the ongoing renovation of the Affinia Manhattan. The work must be substantially completed by end of December 2013. The total projected cost for this renovation is $7,016,796 with $3,527,290 of costs remaining.
- Affinia Gardens Capital Plan: the Borrowers must complete improvements and renovations to the Affinia Gardens. The total project cost of this work is estimated to be $3.5 million and must be substantially completed by the end of December 2013.
- Other Capital Improvements: The Borrowers must complete certain additional improvements at the properties by specified dates set forth in the loan agreement with an estimated combined project cost of $10,403,500. The majority of the work required is projected to be completed by the end of December 2015. Major projects in the other capital improvements schedule include, but are not limited to (i) $1.4 million in upgrades to electric power risers and $2.7 million for elevator upgrades and modernization at the Affinia Manhattan, (ii) $2.2 million for repairs to the exterior facade at The Benjamin, and (iii) $650,000 for elevator modernization at The Benjamin. Other improvements include items identified as medium term repair items in the property condition reports such replacement of roofing materials, replacement of a chiller, upgrades to fire system standpipes, modernization of elevator cabs, and other miscellaneous items.

The Borrowers are prohibited from using funds held in the FF&E Reserve Account to compete any work specified in the A-50 Capital Plan, the Affinia Manhattan Capital Plan, or the Affinia Gardens Capital Plan. The sponsors have delivered a completion guaranty, guaranteeing the obligations and liabilities of the Borrowers with respect to the capital plan.

Completion Guaranty

The sponsors have provided a completion guaranty for the Capital Plan comprised of: (i) the substantial completion of the renovation of the Affinia 50 (total project cost estimated to $18.4 million with $15.4 million remaining) by October 31, 2013; (ii) the Energy Efficiency Plan (estimated $2.4 million) by December 31, 2014; (iii) the lobby and meeting space renovation at the Affinia Manhattan (estimated $7.0 million) by December 2013; (iv) the Affinia Gardens capital plan (estimated $3.5 million) by December 2013; and (v) other capital improvements (estimated $10.4 million) by December 2015. It is assumed that the sponsors and guarantors have sufficient assets to fulfill their obligations

Trigger Period

A Trigger Period is considered to be in effect in the event that the net operating income for any given 12 month period (which is roughly equivalent to the operating net cash flow after the reserve for replacement) is less than the net operating income at the time of closing multiplied by 85% ("the Trigger Level"). The closing date net operating income shall be $44,936,091.31, less the sum of the individual property closing date net operating income for each property which has been released or defeased. The Affinia 50 will be undergoing extensive renovations during 2013, and therefore, operations at this hotel will be below normal during that period. For the purposes of calculating net operating income, during the ongoing renovation of the Affinia Garden, the 2012 results for the hotel will be used in lieu of actual results. Unless a Trigger Period is in effect, some of the reserve escrow requirements may be waived. In addition, if a Trigger period is in effect, all excess cash after the payment of (i) debt service, (ii) funds applied to the basic carrying costs escrow, (iii)operating expenses, and (iv) the reserve for replacement of furniture fixtures and equipment, shall be funded into an excess cash flow reserve account.

Reserve Accounts

The following reserve and escrow accounts are funded at closing or on an-going basis.

Basic Carrying Costs Escrow Account

Each month the Borrowers shall fund 1/12th of the real estate taxes and insurance premiums expected to be incurred during the subsequent 12 month period. The monthly payments will not be required, however, if (i) there is no event of default or Trigger Period continuing, (ii) if all taxes and insurance costs have been paid for the current year, and (iii) if the escrow account maintains sufficient funds to cover the estimated taxes and insurance costs for the subsequent six months. At closing the Borrower funded $6.3 million which is equivalent to six months of real estate tax expenses estimated for the subsequent year. In addition, the Borrower funded $348,000 million at closing which is equivalent to half of the insurance premiums estimated for the 2013 calendar year.

Reserve for Replacement of Furniture, Fixtures, and Equipment (FF&E)

The loan agreement requires that the borrower fund 4% of gross revenue into an escrow account; however, these monthly payments will not be required to be funded for so long as, among other conditions, if (i) there is no event of default or Trigger Period continuing and (ii) the Borrowers maintain an account into which the Borrowers deposit an amount equal to 4% of the operating income.

Permanent Debt Service Reserve

The Borrowers are required to pay all debt service directly every month. The amount of approximately $1.3 million was funded into the debt service reserve account at origination as an ongoing reserve, representing monthly debt service assuming a 31-day month.

Deferred Maintenance Reserve

The Borrowers funded $770,000 at the closing of the loan to set aside sufficient funds to complete repairs to the brick exterior facade at the Affinia Shelburne recommended by the AEI Consultants in the property condition reports.

Affinia Gardens Capital Reserve

A total of $3.5 million was funded into the Affinia Gardens capital reserve to set aside sufficient funds to complete the planned renovation at the hotel.

Excess Cash Flow Reserve

If a Trigger period is in effect, the all excess cash after the payment of (i) debt service, (ii) funds applied to the basic carrying costs escrow, (iii) operating expenses, and (iv) the reserve for replacement of furniture fixtures and equipment shall be funded into an excess cash flow reserve account.

Securitization Trust Summary

Priority of Payments on Trust Certificates

The priority of payments on the Trust Certificates generally follows a sequential-pay structure. The following is a quick synopsis of this priority.

1) The priority of payments on the Trust Certificates generally follows a sequential-pay structure. The following is a quick synopsis of this priority.
2) Interest on the Class A, Class XA-1, Class XA-2, Class XB-1, and Class XB-2, pro-rata;
3) Principal paydown of the Class A Certificates until paid in full, up to the principal distribution amount;
4) Applied Realized Loss Amounts reimbursement to the Class A Certificates;
5) Interest on the Class B Certificates;
6) Principal paydown of the Class B Certificates until paid in full, up to the principal distribution amount;
7) Applied Realized Loss Amounts reimbursements to the Class B Certificates;
8) Interest on the Class C Certificates;
9) Principal paydown of the Class C Certificates until paid in full, up to the principal distribution amount;
10) Applied Realized Loss Amounts reimbursement to the Class C Certificates;
11) Interest on the Class D Certificates;
12) Principal paydown of the Class D Certificates until paid in full, up to the principal distribution amount;
13) Applied Realized Loss Amounts reimbursement to the Class D Certificates;
14) Interest on the Class E Certificates;
15) Principal paydown of the Class E Certificates until paid in full, up to the principal distribution amount;
16) Applied Realized Loss Amounts reimbursement to the Class E Certificates;
17) Interest on the Class F Certificates;
18) Principal paydown of the Class F Certificates until paid in full, up to the principal distribution amount;
19) Applied Realized Loss Amounts reimbursement to the Class F Certificates;
20) Interest on the Class G Certificates;
21) Principal paydown of the Class G Certificates until paid in full, up to the principal distribution amount;
22) Applied Realized Loss Amounts reimbursement to the Class G Certificates;
23) All remaining amounts to the Class A, Class B, Class C, Class D, Class E, Class F, and Class G Certificates, pro rata, based on their initial certificate balances.

Allocation of Losses on Trust Certificates

Losses on the Trust Certificates are generally allocated in a reverse sequential order:
(1) to the Class G Certificates,
(2) to the Class F Certificates,
(3) to the Class E Certificates,
(4) to the Class D Certificates,
(5) to the Class C Certificates,
(6) to the Class B Certificates, and
(7) to the Class A Certificates.

The Notional Amount of the Class XA-1 and Class XA-2 Certificates will be reduced to reflect reductions in the Certificate Principal Amounts of the Class A Certificates. The Notional Amount of the Class XB-1 and Class XB-2 Certificates will be reduced to reflect reductions in the Certificate Principal Amounts of the Class B, Class C and Class D Certificates.

Rated Final Distribution Date

The rated final distribution date of each class of certificates is the distribution date in January 2030. Morningstar's ratings on the certificates address the likelihood of the timely receipt by holders of all payments of interest to which they are entitled on each distribution date and the ultimate receipt by holders of all payments of principal to which they are entitled on or before the rated final distribution Securitization Trust Summary.

Trust Structural Features / Concerns

Based solely on a review of the documents enumerated herein, the following reflect highlights of certain material trust structural features and/or concerns.

Directing Certificateholder

There is no concept of a directing certificateholder or controlling class for this transaction and therefore no single class of certificates will have the right to make decisions with respect to the administration of the trust. These decisions are generally made, subject to the express terms of the Trust and Servicing Agreement, by the servicer, the special servicer and the trustee.

Trust Advisor

This transaction does not utilize the concept of a trust advisor which has been used in certain recent transactions to monitor the performance of the special servicer and provide certain oversight with respect to the special servicer. However, the master servicer and special servicer are required to perform servicing in accordance with the servicing standard.

Replacement of Special Servicer

The special servicer can be terminated and replaced, with or without cause, upon, among other things, the written direction of at least 75% of the aggregate voting rights of all certificates whose holders exercise their right to vote, so long as at least 66 2/3% of the aggregate voting rights have been exercised by the certificateholders. The voting rights take into account the application of any appraisal reduction amounts to notionally reduce the certificate balances.

Limited Rating Agency Confirmation/Notice

Rating agency confirmation may not be required over certain material loan amendments, modifications, borrower requests and/or material amendments to the trust and servicing agreement or mortgage loan purchase agreement. In addition, notice of such items may be provided to the rating agency after such items are effectuated. Because the rating agency may obtain knowledge of these various items later, surveillance activities and any related rating adjustments may occur later than if rating agency confirmation and/or prior notice of such items was provided.

Repurchase Obligation

The mortgage loan seller may be required to repurchase the mortgage loan from the trust due to a material breach of a representation or warranty or a document defect. However, there is no assurance that the holder(s) of such repurchase obligation will have sufficient assets at such time to fulfill its obligation to repurchase the loan.

Conflicts of Interest

There are and/or may be various conflicts of interest among and between various parties to the transaction. However, the special servicer and master servicer are required to service the asset without regard to such conflicts. Morningstar's analysis assumes the various parties comply with their duties.

Third Party Reports

Appraisals

Appraisal reports were prepared by HVS Consulting and Valuation Services, an independent third-party appraisal firm. These reports were received and reviewed as part of Morningstar's analysis for all of the properties. The appraisal reports were dated October and November 2012 and as such are less than four months old. The appraisals provided two different values including: 1) As-Is Market value of the asset dated October 2012, and 2) the Prospective Value of the assets as of stabilization dated November 2016.

	As-Is Value October 2012	Prospective Value November 2016
Affinia Manhattan	$362,000,000	$420,000,000
Affinia Shelburne	182,000,000	208,000,000
Affinia 50	142,000,000	192,000,000
The Benjamin	103,000,000	121,000,000
Affinia Gardens	83,000,000	95,700,000
Total Portfolio Value	$872,000,000	$1,036,700,000
Value Per Room	$569,191	$676,697

Property Condition

Property condition reports were prepared by AEI Consultants Inc., an independent third-party engineer. The reports were reviewed as part of Morningstar's analysis for all of the properties. The reports were dated November 2012, and as such are less than four months old. The reports identified no major immediate capital expenditures with the exception of $700,000 for repairs to the brick exterior facade at the Affinia Shelburne to be in compliance with local law 11/98. The Borrower funded $700,000 to an escrow account at closing to provide the funds needed to complete this work. During Morningstar's property tour on March 4, 2013, we noted that the renovations and repairs had already commenced; management expected the work to be completed by late spring of 2013.

Environmental

Phase I environmental site assessments ("ESAs") were prepared by AEI Consultants Inc., an independent third-party environmental consultant. The reports were dated November 2012, and as such are less than four months old. The reports identified no major environmental conditions at the properties.

Scope of Analysis

The borrowers (and operating lessees) are required under the loan documents and their organizational documents to maintain themselves as special purpose entities generally limited in their activities to ownership and operation of the mortgaged property (or acting as operating lessees under the operating leases for the properties). The loan documents and borrowers' organizational documents also include limitations on the borrowers' ability to incur additional indebtedness and additional covenants regarding the borrowers' separateness from other entities. While the borrowers are generally limited in incurring additional indebtedness, the loan allows for broader and/or higher thresholds of permitted debt than may be customary for a transaction of this type and size. The borrowers (and the operating lessees) are also required to have independent managers whose consent is required for certain bankruptcy matters. Although the loan documents and organizational documents require the borrowers to comply with certain covenants relating to the borrowers' separateness, and the borrowers make certain representations regarding their previous existence, the borrowers (and operating lessees) existed prior to the origination of the loan. While pre-existing entities present a higher risk than newly formed single purpose entities, a nonconsolidation opinion relating to the borrowers (and the operating lessees) was provided. However the nonconsolidation opinion does not include certain preferred and/or customary pairings between the borrowers and certain affiliated entities, including DHG Management Company, LLC.

While single purpose entity borrowers are intended to lessen the possibility that a borrower's financial condition would be adversely impacted by factors unrelated to the mortgaged property and the mortgage loan, there is no assurance that such borrowers will not nonetheless become part of a bankruptcy proceeding.

Asset Summary Reports

Affinia Manhattan

Analyst: David A. Sondesky (267) 960-6042
Analytical Manager: Sheila Bjornstad (646) 560-4511

Property Summary		
Property Type	Hotel/Full-Service	
Location	New York, NY 10001	
Year Built	1929	
Year /Renovated	2010-2013	
Net Rentable Room (Total)	618	
Net Rentable Room (Collateral)	618	
Occupancy (Actual)	87.95%	TTM 12/31/12
Ownership	Fee Simple	

Loan Summary		
Allocated Loan Amount (Original Bal.)	$165,000,000	($266,990/room)
Allocated Loan Amount (Cut-Off Bal.)	$165,000,000	($266,990/room)
Loan Term (months)	60	
I/O Period (months)	60	
Amortization Term (months)	360	
Loan Seasoning (months)	2	
Interest Rate	3.67300%	

Morningstar Analysis		
Current DSCR	3.18 x	
Amortizing DSCR	3.18 x	
Beginning LTV	67.51%	
Ending LTV	67.51%	
Capitalization Rate	8.00%	
Morningstar UW Occupancy	88.0%	
Net Operating Income	$21,743,982	
Net Cash Flow	$19,553,288	
Value	$244,416,097	($395,495/room)
Debt Yield	11.85%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Morningstar Summary

Morningstar Perspective

The subject is a $165,000,000 (allocated loan amount), five-year interest-only mortgage loan secured by a first priority lien on the Affinia Manhattan Hotel. The subject property is part of a five-hotel portfolio and site is situated in immediate proximity of Pennsylvania (Penn) Station, which serves as one of Manhattan's primary transportation hubs. The station handles all Amtrak service for the city and houses the Long Island Rail Road, New Jersey Transit, and a number of intra-city subway lines. Penn Station is responsible for a large volume of pedestrian and vehicular traffic in the area and, as such, exerts a major impact on the surrounding neighborhood. Additionally, the subject is within close proximity to the Jacob Javits Center as well as many major Manhattan tourist destinations, including Times Square and Madison Square Garden.

According to a Smith Travel Research (STR) report from December 2012, for the trailing-twelve-month period ending December 31, 2012, the property displayed an occupancy rate of 87.5% (92% penetration), average room rate of $253.51 (85% penetration), and RevPAR of $221.82. As compared to the comp set, the subject property appears to be at a lower price point based on average room rate (anywhere from 5%-7% lower) however given the recent renovation, this gap is expected to narrow. It is important to note that three of the five properties in the STR comp set benefit from the locational advantage of being within three blocks of Times Square, which would explain the average room rate premium for those particular properties. As such, underperforming the comparable set is to be expected however, the aforementioned operating metrics clearly display the desirability of the subject property. Additionally, the subject has been able to maintain its pre-renovation level average rate penetration despite the hotel's addition of 92 rooms.

Overall Morningstar concludes that this property is well-run and exhibits strong potential for increases to room rates and revenue growth, especially when considering the recently completed renovation project as well as the ongoing renovation (further discussed later in this report). The property has performed well and the average daily rate has been growing at a strong pace since 2009, which is mainly attributable to the substantial renovation that the property has gone through over the last several years. 2012 occupancy exceeds pre-renovation levels despite the addition of 92 rooms. The age/quality of the asset and the performance metrics put the subject in a strong foothold within its market, and should allow the property to do well in a stable environment and also provide insulation in the event of a weakening economy or a downturn in tourism or the overall economy. On the strength of its completely renovated product, the hotel is anticipated to progressively improve occupancy and rate performance. Overall, we expect the hotel to maintain its occupancy penetration while realizing an improvement of rate penetration to essentially market levels.

Morningstar's analysis of the property concluded an aggregate sustainable net cash flow of $19.55 million which is an increase of 5.8% over fiscal-year-end 2012. Morningstar's estimate reflects a strong debt service coverage ratio of 3.23x based on the allocated loan payment terms and the current interest rate. Morningstar's underwritten occupancy rate of 88% matches the fiscal year end 2012 performance and our ADR is 3% higher than the ADR of the same period. A detailed analysis of the net cash flow is provided at the end of this report. The allocated loan presents low leverage; based upon the appraised value of $362 million, the leverage on the allocated loan is 45.6%. Morningstar valued the hotel using the direct capitalization approach and concluded a value of $244 million, or $395,495 per room, which is 32.5% lower than the appraised value. This valuation results in a loan-to-value ratio of 67.5% based on the cut-off allocated loan balance.

The Bears Say

- The hotel has a small independent brand name, therefore, customer with strong loyalty of some big name will not chose to stay there. (Mitigant: after completion of renovation in July, the hotel will conduct new market promotion focusing on a full-service, modern business hotel).

The Bulls Say

- The Affinia Manhattan offers larger than market average room sizes including a good mix of standard rooms and suites.
- Affinia Manhattan benefits from the competitive advantage of being located adjacent to Penn Station.
- The subject is located in New York City which is one of the strongest hospitality markets in the country. For 2012, New York City ranked #1 nationally[1] for RevPAR at $210.56. HVS is forecasting Manhattan RevPAR growth of 5.4% in 2013 and 7.2% in 2014. Despite this data, Morningstar has taken a more conservative approach to RevPAR growth, further discussed later in this report.

[1] According to STR Hotel Review for December 2012

Property Description

The Affinia Manhattan's spacious guestrooms provide for a configuration that includes 321 standard rooms, 138 studio suites, 144 one-bedroom suites, eight two-bedroom suites, and seven permanent resident or Single Resident Occupancy (SRO), all of which are served by six guest elevators. Standard rooms average 315 square feet, which is considered to be average for the market. One-bedroom suites average 528 square feet, which is considered to be above average. The property was built in 1929 and features 618 rooms, a street-level 130-seat restaurant (Niles Restaurant and Bar) that is operated by a third party, ±9,455 square feet of meeting space, a business center, room service, a fitness center, concierge service, and guest laundry. The hotel also features all necessary back-of-the-house space.

The subject hotel's ownership also owns an adjoining ±2,419-squarefoot (±0.06 acres) parcel. This parcel provides 15 surface parking spaces. The hotel also features 94 underground spaces. Until October of 2011, the hotel's garage operations were leased to a third-party entity. However, the property's management now operates the hotel's garage operations. The property also features four ground-level retail spaces – ±1,000 square feet leased to a Dunkin' Donuts franchise operator, ±3,160 square feet leased to Emigrant Savings Bank, ±250 square feet leased to a barbershop, and ±450 square feet that is currently vacant. The subject hotel features two entrances; primary pedestrian and vehicular access to the subject hotel is provided by Seventh Avenue, while access is also available via West 31st Street. Within Manhattan, the subject property is located in an area that is easily accessible from the large concentrations of office and commercial space in the Midtown district.

Renovation

In December of 2011, the Affinia Manhattan completed Phase I of an ongoing property-wide renovation. This phase, which commenced in October 2010, totaled an owner-funded cost of roundly $23,600,000 ($38,187 per key) renovation. The scope of this phase included the renovation of all guestrooms and corridors and the expansion of the hotel's inventory from 526 units to its present total of 618 (contributing 33,580 additional room nights annually). Prior to renovation, the property was an all-suite hotel. Additional rooms were created through the splitting and reconfiguration of large suites. The renovation included refreshes to guestrooms, bathrooms, guest kitchenettes, guest corridors, meeting rooms, lobby, and fitness center Immediately following the renovation, 2012 net cash flow was near its prior peak of $21.2 million in 2008 when it operated with 92 fewer rooms and is forecast to eclipse this prior peak as the additional rooms are fully incorporated and the current lobby renovation completes the asset's transformation.

To complete the transformation of the Affinia Manhattan after its successful guestroom renovation, the sponsors are nearing completion of an additional $7.0 million project to completely renovate the lobby, entry space, meeting space, fitness facility, back of house and to add over 2,000 square feet meeting space. As of February 22, 2013, the sponsors have spent $4.9 million of the estimated cost. These projects are expected to be completed by the end of 2013. The sponsors expect improvements to the common areas and meeting space will allow them to attract higher-rate group and corporate accounts.

Over the next 24 months, the Borrowers are planning[2] to invest over $1.3 million to energy efficient HVAC guestroom controls as well as convert the building from oil to natural gas. Management believes that these upgrades will generate $476,000 in annual cost savings[3] in the future which could improve future net cash flow and value of the asset. Morningstar has not factored in any upside associated with these cost savings in our analysis.

[2] Source: sponsor covenanted Energy Efficiency Plan

[3] Includes previously completed items including the installation of low-flow aerators and showerheads, energy efficient lighting and the replacement of incandescent lighting with fluorescent and LED bulbs.

Demand Drivers

The bulk of the property's rooms are used by business travelers, which account for 55% of bookings. Midtown Manhattan is home to some of the nation's largest firms in the financial, entertainment media, public relations and advertising industries. There are very large concentrations of high-rise office space which house one of the nation's most densely packed employment centers. Some of these employers, such as Sony, Citigroup, JP Morgan Chase, KPMG, New York Life and Young & Rubicam, are located along Madison, Park and Lexington Avenues, which are all within a short distance of the property. It is expected that improvements to the common areas and meeting space will allow the property to attract higher rate group and corporate accounts.

Leisure travelers account for roughly 25% of all bookings and is mainly driven by the subject's proximity to Penn Station, Times Square as well as other Midtown Manhattan attractions. The property's location is a little further south than many other hotels that are in the heart of the main tourist areas, however the subject's location adjacent to Penn Station mitigate this disadvantage. Management notes that more couples from New Jersey and Connecticut are coming for weekends. The focus of the property's leisure guests is changing more toward couples from families as most of the suites will be changing to standard hotel rooms.

Groups and conventions make up the smallest of the three major segments, at 20% of bookings. Manhattan's major convention center is the Jacob K. Javits Convention Center, which opened in 1986 on the west side of 11th Avenue, covering several blocks north of 34th Street. The Javits Center is about 1/2 mile from the hotel, and is considered a secondary demand driver, given the large number of hotels that are much closer to the Center.

A portion of the leisure segment is reached through the wholesale market. Affinia has been aggressively marketing to South America and Australia, where economic conditions have not been weakened as much as those in Europe. The average length of stay of international guests is five to seven days.

Market Overview

Based upon information provided by Smith Travel Research, the following table presents a summary of historical occupancy and average room rate for the competitive set in which the subject hotel competes. The identified competitive set comprises 2,918 rooms including the property and the following hotels: 1) Crown Plaza Times Square, 2) Doubletree Guest Suites Times Square, 3) Radisson Martinique New York Broadway, 4) Four Points Manhattan Chelsea, and 5) Residence Inn New York Manhattan Times Square.

The local submarket as provided by Smith Travel Research has shown clear improvement over the last three years and has continued to trend upward. Average daily rate among the hotels in the competitive set continued to recover slowly from its cyclical low of $246 during 2010, reaching $266 in 2011 and $275 in 2012. Occupancy for the comparable set has exceeded 90% each of the last three years and is currently over 95%. Additionally, RevPAR has grown over 17% from 2010 to 2012. As previously mentioned, the subject property has historically underperformed the market in terms of both occupancy and ADR. This gap in performance is expected to narrow given the recent renovation and ongoing at the subject property, particularly as it relates to ADR.

Evaluation of Market Trends

	Occupancy Rate	Average Rate	Rooms RevPAR	Occupancy Penetration	RevPAR Penetration
TTM 12/31/10	91.7%	$246.05	$225.63	94.6%	85.4%
TTM 12/31/11	92.2%	$266.54	$245.75	80.0%	75.5%
TTM 12/31/12	95.1%	$274.70	$261.24	92.0%	84.9%

Source: Smith Travel Research

Morningstar Analysis

	Morningstar Underwriting	Year End 2010	Year End 2011	Year End 2012	Issuer Underwriting
Occupancy Percent	88.0%	87.2%	71.7%	87.9%	88.0%
Average Room Rate	$257	$217	$245	$249	$269
Rooms RevPAR	$226	$189	$176	$219	$237
Departmental Revenue					
Room	$51,109,121	$36,328,226	$37,208,455	$49,625,059	$53,357,500
Food & Beverage	1,685,647	2,017,076	1,767,125	1,688,449	1,684,799
Telephone	0	0	0	0	0
Minor Operated Deparments	955,016	1,253,396	1,285,966	956,310	954,242
Retail Lease Revenue	1,017,583	1,003,351	937,677	1,017,583	1,017,583
Rentals and Other Income	0	0	0	0	0
Total Departmental Revenue	**$54,767,366**	**$40,602,049**	**$41,199,223**	**$53,287,401**	**$57,014,125**
Departmental Expenses					
Room	$13,518,517	$10,747,336	$10,810,789	$13,545,147	$13,515,869
Food & Beverage	1,375,955	1,342,083	1,356,362	1,378,454	1,375,474
Telephone	0	0	0	0	0
Minor Operated Deparments	298,954	324,163	284,869	299,543	298,896
Retail Lease Revenue	0	0	0	0	0
Rentals and Other Income	0	0	0	0	0
Total Departmental Expenses	**$15,193,427**	**$12,413,582**	**$12,452,020**	**$15,223,144**	**$15,190,239**
Departmental Profit	**$39,573,939**	**$28,188,467**	**$28,747,203**	**$38,064,256**	**$41,823,886**
Undistributed Expenses					
General & Administrative	$4,056,022	$3,625,816	$3,807,910	$4,056,022	$4,056,022
Franchise Fees	0	0	0	0	0
Advertising & Marketing	3,474,730	2,538,834	2,931,769	3,474,730	3,474,730
Repairs & Maintenance	1,867,867	1,500,018	1,690,628	1,867,867	1,867,867
Utilities	1,943,263	1,662,043	1,680,522	1,943,263	1,528,263
Management Fees	1,643,021	1,218,061	1,235,901	1,613,505	1,710,424
Fixed Charges					
Real Estate Taxes	$4,598,189	$3,958,952	$3,860,981	$4,279,155	$4,598,189
Property Insurance	240,000	405,318	396,970	262,550	255,586
Incentive Mgmt Fee	0	0	0	0	0
Other Fixed Expenses	6,865	0	25	6,865	6,865
Total Operating Expenses	**$33,023,384**	**$27,322,624**	**$28,056,725**	**$32,727,101**	**$32,688,184**
Net Operating Income	**$21,743,982**	**$13,279,425**	**$13,142,498**	**$20,560,299**	**$24,325,941**
Capital Expenditures					
Capital Expenditures / Reserve	$2,190,695	$1,624,082	$1,647,969	$2,131,496	$2,280,565
Extraordinary Capital Expenditures	0	0	0	0	0
- Credit For Cap Ex Reserve	0	n/a	n/a	n/a	n/a
Total Capital Expenditures	2,190,695	1,624,082	1,647,969	2,131,496	2,280,565
Credit for Upfront DSCR Escrow	$0	$0	$0	$0	$0
Net Cash Flow	**$19,553,288**	**$11,655,343**	**$11,494,529**	**$18,428,803**	**$22,045,376**

Analytical Assumptions

The following comments and footnotes provide additional details beyond the description of Morningstar's general analytical approach outlined at the end of this package.

Revenue Drivers

Average Room Rate	$257
Occupancy (%)	88.0%
Rooms RevPAR	$226

Morningstar's underwriting assumes that the property will see a slight increase in average rate (3% to 4%) over the next twelve months as a result of the substantial rehab project that has been completed at the property. This increase is supported by the current average rate of the competitive set which is currently 8% higher than the 2012 average room rate at the property.

Expenses

Expenses are underwritten in-line with historicals with the exception of Real Estate Taxes, which have been underwritten 7% higher than the 2012 figure. The underwritten number is consistent with the Borrower's 2013 estimate and matches the appraiser's 2013 estimate.

Management Fees

Morningstar has underwritten management fees at 3% of total revenue.

Marketing

Morningstar has underwritten advertising and marketing expense at the 2012 level of $3.5 million, which equals 6.3% of total revenue.

Reserve for Replacement

Underwritten at 4.0% of gross revenue in line with industry averages for full service hotels. Morningstar believes that this is sufficiently conservative given the high room rates and the current renovation project, which should result in an updated hotel which should not require excessive spending for furniture and fixtures in the next few years. In additional to the structure repairs recommended by a property condition assessment, the capital reserve for replacement must provide for sufficient funds to conduct periodic replacement of soft goods and case goods in the hotel rooms and in the public spaces. As a result, the reserve for replacement is well above that recommended by the engineer in the property condition assessment. The engineer's recommendation amounts to $1,491 per room per year, less than half of Morningstar's underwritten number
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Valuation Drivers

The Morningstar base capitalization rate for New York City hotels is 8.5%. A deduction of 50 basis points was made for the CBD location, resulting capitalization in an underwritten cap rate of 8.0%.

Affinia Shelburne

Analyst: Ed Dittmer (267) 960-6022
Analytical Manager: Sheila Bjornstad (646) 560-4511

Property Summary		
Property Type	Hotel/Full Service	
Location	New York, NY 10016	
Year Built	1925	
Year /Renovated	2008-2009	
Net Rentable Room (Total)	325	
Net Rentable Room (Collateral)	325	
Occupancy (Actual)	95.51%	2012
Ownership	Fee Simple	

Loan Summary		
Allocated Loan Amount (Original Balance)	$89,000,000	($273,846/room)
Allocated Loan Amount (Cut-Off Balance)	$89,000,000	($273,846/room)
Loan Term (months)	60	
I/O Period (months)	60	
Amortization Term (months)	0	
Loan Seasoning (months)	2	
Interest Rate	3.67300%	

Morningstar Analysis		
Current DSCR	3.36 x	
Amortizing DSCR	3.36 x	
Beginning LTV	63.89%	
Ending LTV	63.89%	
Capitalization Rate	8.00%	
Morningstar UW Occupancy	93.7%	
Net Operating Income	$12,327,590	
Net Cash Flow	$11,143,716	
Value	$139,296,447	($428,604/room)
Debt Yield	12.52%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Morningstar Summary

Morningstar Perspective

The Affinia Shelburne has experienced a strong improvement in performance since the end of the recession even as its competitors have stagnated. Since completion of a $26.9 million renovation program in 2009, the hotel has experienced a sharp turnaround in occupancy, now averaging over 90%. Overall tourism for New York City has been on a long-term increasing trend. From 1998 through 2011, the number of tourists declined from the previous year only in 2001 and 2009. Of the roughly 50.2 million visitors reported in 2011, about 20% came from outside of the U.S.

The subject and its competitive set occupy a strong location in the Murray Hill district of Manhattan. Guests are a short walk from the Empire State Building, United Nations, major corporate headquarters along Madison, Park and Third Avenues and a number of foreign consulates. Occupancy for the Shelburne had traditionally outperformed its competitive set at the expense of a significantly lower rate. The renovations at the property allowed the subject to close this rate gap with the competition while pushing occupancy above 90% over the past three years.

Morningstar's analysis concluded an average room rate of $251 and an occupancy of 93.7%. Overall, the underwritten cash flow is $11.2 million based on room revenue of $28.0 million. 2.1% higher than in 2012. With occupancy performing so well, management plans to increase average rates through yield management and the reduction of discounts. Our underwriting results in a debt service coverage ratio of 3.37x. Morningstar's underwritten value is $139.7 million ($429,700 per key), which is 23% less than the appraised value. Morningstar's loan-to-value ratio is 63.7%.

Given the strengths of a good location near Midtown, and a renovated building, the property should be in position to continue to maintain occupancy at 90% or better, while achieving at least modest room rate growth over the next few years. As with all hotels, the property needs to be able to withstand unavoidable periods of decreased business due to economic conditions or the need to modernize the facilities. We believe that the property should be competitive in terms of amenities and appearance for at least the next seven to ten years. The local market is densely developed, though there is a good deal of new hotel development in Manhattan, the majority is not located in the immediate market area. In 2012, 2,409 rooms were added to inventory, of which 369 rooms in a limited-service property were in Murray Hill. According to the appraisal, of the 8,888 rooms expected to be delivered in Manhattan in 2013 and 2014, only 450 are expected to be added to the Murray Hill area. One property opening in 2012, the SLS New York, will have rates of $450 to $550 per night and may not appeal to the subject's clientele.

A Morningstar representative inspected the property on March 4, 2013. The property is generally in good condition. The lobby is attractive with comfortable seating, free wireless internet, and computer stations and printers. The rooftop bar, which is open from late spring to autumn, has excellent views of Manhattan including the Empire State Building. According to management, the hotel has had success in attracting professional sports teams including several National Hockey League teams when they are in New York. During the NCAA Tournament season, the hotel gets some college basketball teams if Madison Square Garden is hosting games. We noted on the inspection that 65 of the studio units are studio suites with kitchenettes and sofabeds. The remaining 190 studio rooms are conventional hotel rooms. All suites have sofabeds and kitchenettes. Overall, we have assigned a property score of '3' or average.

The Bears Say

- Manhattan hotel supply increased by 2,400 rooms in 2012 and could increase by 8,888 rooms in 2013 and 2014, increasing the competition. We note that many of the new room additions will be in the Limited-Service category that does not compete with the subject.
- The hotel's use is not considered lawful under the current zoning ordinance with regards to its use as a transient hotel. State law permits the Certificate of Occupancy to be amended to reflect this use and an application to that end is in process. Registration documents with the Department of Buildings were filed and approved in 2011 and the sponsors are in the process of obtaining a certificates of occupancy.
- The engineer recommended immediate repairs of $715,500, primarily for repairs to the exterior walls which were determined to be in fair condition. This risk is mitigated by the fact that the lender escrowed $700,000 at closing to fund these repairs. During our site inspection, we noted that these repairs had already been commenced.

The Bulls Say

- Strong location near Empire State Building, Chrysler Building, United Nations and several major corporations.
- Low underwritten loan-to-value of 63.7%.
- The debt service coverage ratio is a strong 3.37x.
- The 2007-2009 renovation at a cost of $26.9 million ($82,900/key) added rooms and has resulted in improved revenue and occupancy performance.
- Energy Savings Upside - the Borrowers are planning to invest $374,000 to improve the room HVAC controls and replace one of the boilers over the next two years. Management believes that these upgrades will generate $307,000 in annual cost savings which could improve future net cash flow and value of the asset. Morningstar has not factored in any upside associated with these cost savings in our analysis.

Property Description

The subject property is a 325-key upper- upscale full service boutique hotel in Manhattan's Murray Hill neighborhood, known as the Affinia Shelburne. The property, which was built in 1925, completed a $26.9 million renovation ($82,900 per key) in 2009. The renovation included a full upgrade of guest rooms and corridors and expanded the number of rooms from 256 to 325. Based upon discussions with management, the collateral includes 190 standard hotel rooms, 65 studio units, 62 one-bedroom suites, and six two-bedroom suites. The standard rooms and studio suites are very similar with the only difference that the studio units offer kitchenettes in addition to the standard sized room. Two single-resident occupancy rooms (SRO) are included in the collateral, but are not considered rentable by the appraiser. The property features a restaurant and bar, two meeting rooms totaling 1,725 square feet, 4,070 square feet of lobby level retail space, and a seasonal rooftop bar. The property's amenities include a club room, fitness center, grocery shopping and secretarial services. The retail space is leased to the Concorde Medical Group and the operations of the restaurant and rooftop bar are leased to a third party operator.

The restaurant's lease provides for an annual rent payment of $111,020 per annum plus a 20% revenue share of catered events and room service. The rooftop bar is leased to the same operator and provides for an 18% share of beverage sales. In both cases, the property is able to secure significant revenue at a minimal marginal cost.

The property is at 303 Lexington Avenue, the corner of Lexington and East 37th Street in the Murray Hill neighborhood. Murray Hill is bounded by East 42nd Street, East 34th Street, Madison Avenue and the East River. Major landmarks with proximity to the area include the Empire State Building, Chrysler Building, MetLife Building and the United Nations. With the UN nearby, there are consequently a number of consulates in the neighborhood within walking distance of the property.

Although no parking is available at the hotel, several public parking garages are located in the immediate vicinity. Within Manhattan, the subject property is located in an area easily accessible from the large concentrations of office and other commercial space in the Midtown and Downtown areas. The subject site features excellent accessibility from Manhattan's extensive mass-transit system. Transportation by bus, subway, personal automobile, or taxi to the subject property from various commercial locations in Midtown and Downtown Manhattan can be accomplished in a relatively simple and direct manner. The Nearest subway station is at Grand Central Terminal, five blocks north of the subject.

Under the current zoning ordinance, the lawful use of the subject is as a multi-dwelling building requiring stays of greater than 30 days. Currently a transient hotel is not a conforming use. The law does allow hotels that pre-date the zoning code to register with the New York City Department of Buildings (DOB) and have the Certificate of Occupancy amended to allow use as a transient hotel. Registration documents were filed and approved by the DOB and the sponsors are in the process of obtaining an amended Certificate of Occupancy.

Demand Drivers

The subject's primary segment is business travel presenting approximately 65% of the occupied room nights, followed by leisure at 25% and meetings and groups at only 10%. Most of the hotels in the competitive set have similar segmentation. Major firms in the area driving demand include the headquarters of PricewaterhouseCoopers and L-3 Communications as well as Court TV and Booz & Company. In addition, the United Nations and the large number of foreign consulates in this submarket generate room nights from visiting diplomats and staff. The subject's location is generally conducive to leisure travel with attractions such as the Empire State Building, Bryant Park and Fifth Avenue shopping located walking distance from the subject.

The hotel is also popular with domestic and international tourists due to its proximity and easy access to all areas within Manhattan the perceived "safety" of the neighborhood.

Market Overview

Based upon information provided by Smith Travel Research, the following table presents a summary of historical occupancy and average room rate for the competitive set in which the subject hotel competes. The identified competitive set comprises 2,126 rooms and includes the following hotels: 1) Westin New York Grand Central, 2) Kimpton 70 Park Avenue Hotel, 3) Autograph Collection Carlton Hotel, 4) St. Giles Hotel New York - The Court, 5) Morgans Hotel, and 6) The Roger Williams.

Evaluation of Market Trends

	Occupancy Rate	Average Rate	Rooms RevPAR	Occupancy Penetration	RevPAR Penetration
TTM 12/31/2010	78.1%	$229.15	$178.97	112.3%	106.8%
TTM 12/31/2011	77.6%	$238.36	$184.97	120.5%	119.4%
TTM 12/31/2012	74.8%	$255.02	$190.75	127.5%	121.0%

Source: Smith Travel Research

In 2006 and 2007, the subject struggled to maintain average room rates comparable to the competitive set, achieving an average room rate penetration of only 9% to 87%. The lower average rate did, however, allow the subject to outperform the market in occupancy. In 2008, the average room rate of the competitive set was $324.00, an all-time high with average occupancy at 84.8%.

During 2008 and 2009, the property underwent an extensive renovation that took rooms off-line, resulting in sharply lower occupancy and rate. Occupancy penetration slumped to 88% while the revenue penetration was 72%. This renovation coincided with the recession that crippled many hotel properties and sharply curtailed rates in New York City. By 2009, the group's average room rate declined 28% to $233.64 while the RevPAR slipped to a low of $188.78.

The completion of the subject's renovation came in 2009 with its first full year of operation in 2010. The improvements enabled the property to compete more effectively in both occupancy and rate. Occupancy penetration returned to 112.3% in 2010 and reached 120.5% the following year. The penetration improvement was driven by occupancy rates of over 93% for the past three years. Revenue penetration was 106.8% in 2010 and has been roundly 120% since, also partially driven by the improvement in occupancy. However, we point out that while the property's recovery has been relatively strong, the competitive set has struggled to return to pre-recession figures. Since 2009, average rate for the competitive set has exceeded $250 only once, while occupancy has remained steady in the low-to-mid 80% range. The renovation appears to have allowed the subject to occupancy higher while holding rates near the comps.

Across Manhattan, 2,409 hotel rooms were added in 2012 and 4,499 rooms could be added in 2013 as rates and occupancy have pushed higher. In Murray Hill, there was one new property added in 2012 and one expected to be complete in 2013. In 2012, Pod 39, a limited service "Pod Hotel" opened. This property is not expected to compete with the subject. In 2013, the market can expect the opening of the SLS New York, a luxury hotel at 444 Park Avenue South. This new property would have limited appeal to the subject's guests as room rates may be $450 to $550 per night according to the hotel's owner.

Morningstar Analysis

	Morningstar Underwriting	Year End 2010	Year End 2011	Year End 2012	Issuer Underwriting
Occupancy Percent	93.7%	88.0%	93.7%	95.5%	94.0%
Average Room Rate	$251	$216	$236	$241	$253
Rooms RevPAR	$236	$190	$221	$230	$238
Departmental Revenue					
Room	$27,976,777	$22,589,542	$26,171,697	$27,392,881	$28,252,500
Food & Beverage	859,979	402,119	888,678	880,301	863,975
Telephone	0	0	0	0	0
Minor Operated Deparments	396,634	468,043	472,648	405,307	397,790
Retail Lease Revenue	363,456	344,236	360,422	371,563	371,563
Rentals and Other Income	0	0	0	0	0
Total Departmental Revenue	**$29,596,847**	**$23,803,941**	**$27,893,445**	**$29,050,052**	**$29,885,829**
Departmental Expenses					
Room	$7,405,389	$6,307,673	$7,194,945	$7,593,493	$7,452,671
Food & Beverage	626,954	153,895	645,200	642,324	630,412
Telephone	0	0	0	0	0
Minor Operated Deparments	77,829	76,380	84,467	79,805	78,325
Retail Lease Revenue	0	0	0	0	0
Rentals and Other Income	0	0	0	0	0
Total Departmental Expenses	**$8,110,172**	**$6,537,948**	**$7,924,613**	**$8,315,622**	**$8,161,408**
Departmental Profit	**$21,486,674**	**$17,265,993**	**$19,968,832**	**$20,734,429**	**$21,724,420**
Undistributed Expenses					
General & Administrative	$2,426,472	$2,287,395	$2,373,147	$2,426,472	$2,426,472
Franchise Fees	0	0	0	0	0
Advertising & Marketing	1,976,306	1,509,554	1,915,625	1,976,306	1,976,306
Repairs & Maintenance	863,264	774,895	759,838	863,264	863,264
Utilities	683,184	625,091	674,960	683,184	431,184
Management Fees	887,905	714,118	836,768	871,474	896,575
Fixed Charges					
Real Estate Taxes	$2,192,000	$1,741,092	$1,834,748	$1,963,998	$2,148,361
Property Insurance	120,000	197,210	221,677	108,083	134,700
Incentive Mgmt Fee	0	0	0	0	0
Other Fixed Expenses	9,954	26,898	51,120	9,954	9,954
Total Operating Expenses	**$17,269,257**	**$14,414,202**	**$16,592,496**	**$17,218,357**	**$17,048,224**
Net Operating Income	**$12,327,590**	**$9,389,739**	**$11,300,950**	**$11,831,695**	**$12,837,605**
Capital Expenditures					
Capital Expenditures / Reserve	$1,183,874	$952,158	$1,115,738	$1,162,002	$1,195,433
Extraordinary Capital Expenditures	0	0	0	0	0
- Credit For Cap Ex Reserve	0	n/a	n/a	n/a	n/a
Total Capital Expenditures	1,183,874	952,158	1,115,738	1,162,002	1,195,433
Credit for Upfront DSCR Escrow	$0	$0	$0	$0	$0
Net Cash Flow	**$11,143,716**	**$8,437,581**	**$10,185,212**	**$10,669,693**	**$11,642,172**

Analytical Assumptions

The following comments and footnotes provide additional details beyond the description of Morningstar's general analytical approach outlined at the end of this package.

Revenue Drivers

Average Room Rate	$251.46
Occupancy (%)	93.7%
Rooms RevPAR	$235.68

Our underwritten average rate of $251 is higher than the full-year 2012 average rate, but we have noted previously that the high occupancy should afford management the ability to increase rates over the near term. In addition, the hotel is hoping to shift away from the high level of online travel agency business to focus more on higher-value corporate business. This could lead to an improvement in rate, possibly at the cost of some occupancy. Consequently, we have trimmed the occupancy assumption back from the most recent period.

Expenses

Expenses are underwritten in-line with historicals unless otherwise noted. Real estate taxes and property insurance were underwritten to the budgeted 2013 tax and insurance expenses and are 11.6% and 11.0% greater than reflected during 2012, respectively.

Capital Items

A reserve for future capital expenditures is underwritten at 4% of gross revenue in line with industry averages for full service hotels. In additional to the structure repairs recommended by a property condition assessment, the capital reserve for replacement must provide for sufficient funds to conduct periodic replacement of soft goods and case goods in the hotel rooms and in the public spaces. As a result, the reserve for replacement is well above that recommended by the engineer in the property condition assessment.

Valuation Drivers

Our capitalization rate of 8.0% is based on an 8.5% market capitalization rate for the New York MSA, adjusted down by 50 bps to reflect the strong location in Midtown Manhattan.

Affinia 50

Analyst: Mike Magerman (267) 960-6022
Analytical Manager: Sheila Bjornstad (646) 560-4511

Property Summary		
Property Type	Hotel/Boutique	
Location	New York, NY 10022	
Year Built	1963	
Year /Renovated	2013	
Net Rentable Room (Total)	251 (expanded room supply as of Oct. 2013)	
Net Rentable Room (Collateral)	251 (expanded room supply as of Oct. 2013)	
Occupancy (Actual)	93.20%	TTM 12/31/12
Ownership	Fee Simple	

Loan Summary		
Allocated Loan Amount (Original Balance)	$75,000,000	($298,805/room)
Allocated Loan Amount (Cut-Off Balance)	$75,000,000	($298,805/room)
Loan Term (months)	60	
I/O Period (months)	60	
Amortization Term (months)	0	
Loan Seasoning (months)	2	
Interest Rate	3.67300%	

Morningstar Analysis		
Current DSCR	3.78 x	
Amortizing DSCR	3.78 x	
Beginning LTV	66.58%	
Ending LTV	58.57%	
Capitalization Rate	8.25%	
Morningstar UW Occupancy	86.7%	
Net Operating Income	$11,635,771	
Net Cash Flow	$10,564,208	
Value	$112,651,011	($448,809/room)
Debt Yield	14.09%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Morningstar Summary

Morningstar Perspective

Affinia 50 enjoys a good location along Third Avenue at 50th Street, within blocks of some of Midtown Manhattan's most notable attractions. The property performs well compared relative to its nearby competition in the Midtown East submarket. The appraisal's peer group for this hotel runs along the narrow corridor between Third and Lexington Avenues, from 44th Street to 53rd Street. The property's average daily rate advantage over its local peer group peaked at $51, or 18% in 2008, and though the gap has narrowed in recent years, was still at $33 in 2012.

Overall tourism for New York City has been on a long-term increasing trend. From 1998 through 2011, the number of tourists declined from the previous year only in 2001 and 2009. Of the roughly 50.2 million visitors reported in 2011, about 20% came from outside of the U.S.

Occupancy at the property has been at 87% or better every year since 2005. The economic downturn took a substantial bite out of average room rate, with the average rate plunging $86, or 26%, from 2008 to 2009. However, occupancy barely changed at all, and then recovered enough to move past 90% by 2010 and to over 94% by 2011, while room rates made a strong comeback. The property's occupancy outperformed the local peer group by roughly two percentage points in 2010, four points in 2011 and six points in 2012.

The property is beginning a period of renovation and reconfiguration which will increase its room count from the current 210 rooms to 251 rooms by the end of 2013. The $18.4 million project is scheduled for completion by the end of October, with $15.4 million remaining to be spent as of the end of January 2013. The current average room size of 508 square feet will be reduced to 426 square feet as the room count is increased, but this will still be larger than the average Manhattan hotel room.

Morningstar's analysis of the property concluded an average sustainable net cash flow of $10.61 million, which is 36% higher than that reported for calendar year 2012. The higher Morningstar figure is largely attributable to the extra 41 rooms that will generate income once the reconfiguration project has been completed. Morningstar's estimate reflects a strong debt service coverage ratio of 3.80 x based on the loan payment terms and the interest rate of 3.673%. The loan presents low leverage; based on the appraised value of $142 million, the leverage on the loan is 52.8%. Morningstar valued the hotel using the direct capitalization approach and concluded a value of $113.25 million ($451,190 per room), which includes a deduction of $15.4 million for the remaining renovation expenditures, indicating a loan-to-value of 66.2%. Morningstar's value is 20.2% lower than the appraised value.

Given the strengths of a good location in Midtown Manhattan, and a freshly renovated and reconfigured building going into 2014, the property should be in position to continue to maintain occupancy at around 90% or better, while achieving at strong room rate growth over the next few years. Once the renovation and reconfiguration has been completed, the property should be competitive in terms of amenities and appearance for at least the next seven to ten years. The local market is densely developed, though there is a good deal of hotel development in Manhattan. According to the appraisal, of the 8,888 rooms expected to be delivered in Manhattan in 2013 and 2014, just 686 rooms in three hotels are in the Midtown East area.

The Bears Say

- There are many competitors for hotel business in Midtown Manhattan, and development is underway at numerous locations.
- At the hotel's price point, it is difficult to create a niche in which a hotel can distinguish itself from the dozens of other similar properties in the Midtown Manhattan hotel market.
- The hotel has only the most basic amenities, and does not have a true full-service restaurant. This risk is mitigated by the fact that there are a large number of restaurants in the nearby area and the hotel offers breakfast in "The Club" room on the second floor.
- During the period of renovations (2013) the hotel will not be able to support normalized operating levels because many rooms will be out of service throughout the process. Morningstar has estimated operating results at a normalized level, but has increased the capitalization rate to reflect this additional risk.

The Bulls Say

- The addition of 41 rooms in the same physical space will increase the hotel's efficiency and productivity and enable the hotel to support revenue growth.

- There is a large core of office space in the immediate neighborhood generating strong demand for lodging accommodations by corporate travelers. According information presented in the appraisal, corporate travelers and accounts account for roughly 55% of room nights.
- Since 2005 the hotel has never reported the occupancy levels less than 87%, and the recent trend has been improving.
- There is considerable upside in room rate, as the average rate of $276 achieved in 2012 remains well below the $325+ average rates reached in 2007 and 2008. Upon completion of the renovation, we believe that management will be able to push room rates by eliminating discounts and aggressively targeting corporate and higher rated leisure travelers.
- The borrowers are planning to invest $743,000 to convert boilers form oil to natural gas, place HVAC controls in guestrooms and replace the air conditioning cooling tower. Management believes that these upgrades will generate $244,000 in annual cost savings in the future which could improve future net cash flow and value of the asset. Morningstar has not factored in any upside associated with these cost savings in our analysis.
- While not at the best location in Midtown, the hotel does benefit from its proximity to the United Nations, and Midtown shopping destinations and has nearby access to the subway system.

Property Description

The property is a 210-key boutique hotel opened in 1963 on 50th Street, near Third Avenue in Midtown Manhattan. The building is a 22-story rectangular tower with its entrance along 50th Street. Aside from a fitness center and a business center, the hotel's only public space is a club room. The club room is a large living room style seating area with free WIFI, a large screen television and work stations with printers. The club room is the venue for a nightly manager's reception with cocktails and soft drinks and is used to serve a continental breakfast which is offered for $15. Within the club room are is a small room known as the Den; this rooms is approximately 550 sq. ft. in size and can be closed off and rented for small meetings and/or social events. The hotel offers a guest laundry facility and sundries are sold in the lobby. There is a total of small amount of commercial retail space along 3rd Avenue that includes 7,068 square feet of retail space, of which 1,068 square feet is vacant, plus 450 square feet of rooftop antenna space, of which 150 square feet is vacant. The largest tenant is McDonald's, which is under lease on the ground floor through 2015 and has four 5-year extension options.

Under the current configuration, the majority of the guestrooms will be are king-bedded standard rooms ranging in size from 280 to 350 square feet, and one-bedroom suites ranging from 350 to 450 square feet. The renovation will result in a decline in one bedroom suites and an increase in standard hotel rooms. The overall room count will increase from 210 units to 251 units effectively adding 41 new keys. Management indicated that upon completion there will be 148 standard hotel rooms, 59 studio suites, 19 one-bedroom suites, and 25 junior suites.

Overall the renovation will result in a major improvement in the look and desirability of the hotel. The lobby is currently dark and uninviting with limited seating and no natural light. As part of the renovation, the exterior wall behind the existing front desk will be replaced with a large window open to the street where lobby seating will be located. The front desk will be moved to the right of the entrance. The lobby is currently dominated by a water fall feature that will be replaced by an open stairwell that will lead directly to the 2nd floor club room lounge. As indicated earlier guest rooms will be totally refurbished resulting in a different configuration. The style of the renovation will be comfortable contemporary with smaller, minimalist furniture that will give guests the feel of more space. The renovation budget totals approximately $18.4 million of which $3 million has already been invested.

The property is in the Midtown East area, which is east of Park Avenue in the 40s and 50s. Rockefeller Plaza is 5 blocks west, and the United Nations is 5 blocks to the southeast. The property is also within a short walk from Times Square and the Theater District, as well as several other attractions including the Museum of Modern Art and the Fifth Avenue shopping district. Other nearby landmarks include St. Patrick's Cathedral, Radio City Music Hall, the Saks Fifth Avenue flagship store, and the New York Public Library.

Morningstar visited the property on March 4, 2013. Currently the building has scaffolding in front due to the renovation project. It was confirmed that the lobby renovations are to take place in June, July and August, and that the renovation is to be completed by October 2013. The elevator that currently goes only to the fifth floor is being extended to go to the 22nd floor; this project will involve drilling through existing concrete slab and will be a noisy and disruptive process. This factor, together with the general renovation timing, is expected to result in a decline in utilization and revenues during 2013. The design style of the renovated rooms will be modern but comfortable. Overall, the property will present a modern, clean contemporary style hotel at a very good location.

Demand Drivers

The bulk of the property's rooms are used by business travelers, which account for 55% of bookings. Midtown Manhattan is home to some of the nation's largest firms in the financial, entertainment media, public relations and advertising industries. There are very large concentrations of high-rise office space which house one of the nation's most densely packed employment centers. Some of these employers, such as Sony, Citigroup, JP Morgan Chase, KPMG, New York Life and Young & Rubicam, are located along Madison, Park and Lexington Avenues, which are all within a short distance of the property. The property has accounts with various missions affiliated with the United Nations, and management is targeting this segment for increasing business over time.

Leisure travelers account for about 35% of all bookings. During weekend, management targets leisure travel from the tri-state area. The focus of the property's leisure guests will be changing more toward couples from the former focus toward families as most of the suites will be changing to standard hotel rooms. The A portion of the leisure segment is reached through the wholesale market. Affinia has been aggressively marketing to South America and Australia, where economic conditions have not been weakened as much as those in Europe. The average length of stay of international guests is five to seven days.

Groups make up the smallest of the three major segments, at approximately 10% of bookings.

Market Overview

Based upon information provided by Smith Travel Research, the following table presents a summary of historical occupancy and average room rate for the competitive set with which the subject hotel competes. The identified competitive set comprises 2,584 rooms including the property and the following hotels: 1) The Lexington New York City, 2) DoubleTree New York City Metropolitan Hotel, 3) Kimberly Hotel, 4) Courtyard New York Manhattan Midtown East, 5) Fitzpatrick Hotel Grand Central, and 6) The Alex Hotel.

The identified competitive set has shown clear improvement over the last three years, though the momentum slowed somewhat in 2012. Average daily rate continued to recover slowly from its cyclical low of $203 in 2009, reaching $234 in 2011, and $243 in 2012. Occupancy in the submarket approached 90% in 2010 and 2011, before slipping back somewhat to 86.3% in 2012. The property's RevPAR penetration remained solid, reaching at least 120% in each of the last three years and improving slightly each year. In 2012, the subject property reported an average daily rate of $276, an advantage of more than $33 or 13.7% above the Smith Travel peer group. The property's 2012 occupancy reached 92.9%, clearly outperforming the peer group.

Evaluation of Market Trends					
	Occupancy Rate	Average Rate	Rooms RevPAR	Occupancy Penetration	RevPAR Penetration
TTM 12/31/10	89.1%	$220.37	$196.35	101.8%	120.9%
TTM 12/31/11	89.8%	$233.97	$210.06	104.5%	122.0%
TTM 12/31/12	86.3%	$242.59	$209.29	107.6%	122.4%
Source: Smith Travel Research					

Morningstar Analysis

	Morningstar Underwriting	Year End 2010	Year End 2011	Year End 2012	Issuer Underwriting
Occupancy Percent	86.7%	91.1%	94.2%	93.2%	85.2%
Average Room Rate	$316.51	$259.58	$271.03	$274.61	$334.41
Rooms RevPAR	$274.35	$236.55	$255.42	$255.94	$284.81
Departmental Revenue					
Room	$25,134,793	$18,131,507	$19,577,741	$19,671,482	$26,092,722
Food & Beverage	251,873	247,124	228,757	225,973	246,141
Telephone	0	0	0	0	0
Minor Operated Deparments	313,393	281,179	265,213	283,819	309,149
Retail Lease Revenue	1,089,000	991,024	1,069,164	1,051,143	1,051,143
Rentals and Other Income	0	0	0	0	0
Total Departmental Revenue	**$26,789,059**	**$19,650,834**	**$21,140,875**	**$21,232,417**	**$27,699,155**
Departmental Expenses					
Room	$5,834,117	$5,249,247	$5,616,119	$5,568,321	$6,065,275
Food & Beverage	231,570	229,614	203,202	206,793	225,248
Telephone	0	0	0	0	0
Minor Operated Deparments	63,308	33,145	45,199	56,272	61,295
Retail Lease Revenue	0	0	0	0	0
Rentals and Other Income	0	0	0	0	0
Total Departmental Expenses	**$6,128,995**	**$5,512,006**	**$5,864,520**	**$5,831,386**	**$6,351,817**
Departmental Profit	**$20,660,064**	**$14,138,828**	**$15,276,355**	**$15,401,031**	**$21,347,337**
Undistributed Expenses					
General & Administrative	$2,253,448	$1,858,785	$2,009,267	$1,942,973	$1,942,973
Franchise Fees	0	0	0	0	0
Advertising & Marketing	1,480,000	1,321,110	1,580,578	1,554,031	1,554,031
Repairs & Maintenance	929,471	824,528	844,872	798,950	954,936
Utilities	748,000	663,604	712,117	722,889	684,025
Management Fees	803,672	589,525	634,244	636,910	830,975
Fixed Charges					
Real Estate Taxes	$2,681,822	$1,746,889	$1,883,029	$2,022,110	$2,681,822
Property Insurance	126,000	157,707	122,295	75,605	111,663
Incentive Mgmt Fee	0	0	0	0	0
Other Fixed Expenses	1,880	9,840	35,265	1,880	1,880
Total Operating Expenses	**$15,153,288**	**$12,683,994**	**$13,686,187**	**$13,586,736**	**$15,114,122**
Net Operating Income	**$11,635,771**	**$6,966,840**	**$7,454,688**	**$7,645,682**	**$12,585,033**
Capital Expenditures					
Capital Expenditures / Reserve	$1,071,562	$786,033	$845,635	$849,297	$1,107,966
Extraordinary Capital Expenditures	0	0	0	0	0
- Credit For Cap Ex Reserve	0	n/a	n/a	n/a	n/a
Total Capital Expenditures	1,071,562	786,033	845,635	849,297	1,107,966
Credit for Upfront DSCR Escrow	$0	$0	$0	$0	$0
Net Cash Flow	**$10,564,208**	**$6,180,807**	**$6,609,053**	**$6,796,385**	**$11,477,067**

Analytical Assumptions

The following comments and footnotes provide additional details beyond the description of Morningstar's general analytical approach outlined at the end of this package.

Revenue Drivers

Average Room Rate	$316.51
Occupancy (%)	86.7%
Rooms RevPAR	$274.35

Morningstar has assumed that the renovation project will depress occupancy to 66% in 2013; however, it is expected to recover quickly to 85% in 2014 and 90% in 2015. For average room rate, Morningstar assumed growth of 12% from 2013 to 2014, followed by growth rates of 5% each year thereafter. Our estimate of occupancy and average room rate is designed to represent a normalized level in constant, uninflated dollars. We have projected occupancy to decline to 86.7% from the 93.2% achieved during 2012 upon completion of the renovation. Management expects that upon completion of the renovation, the will be targeting higher rated corporate and transient demand and will attempt to reduce the percentage of discounted demand. It is important to note that the projected average room rate of $316, although it appears high relative to the levels reflected during 2012 are well below the rates reflected during 2007 and 2008 which were $327 and $332, respectively.

Management Fees

Morningstar has underwritten management fees at 3% of total revenue.

Reserve for Replacement

Though the property does not have a restaurant, the reserve for replacement is underwritten at 4.0% of gross revenue in line with industry averages for full service hotels. Morningstar believes that this is sufficiently conservative given the high room rates and the current renovation project, which should result in an updated hotel which should not require excessive spending for furniture and fixtures in the next few years. In additional to the structure repairs recommended by a property condition assessment, the capital reserve for replacement must provide for sufficient funds to conduct periodic replacement of soft goods and case goods in the hotel rooms and in the public spaces. As a result, the reserve for replacement is well above that recommended by the engineer in the property condition assessment. The engineer's recommendation amounts to $1,081 per room per year based on 251 rooms, or just 1.0% of Morningstar's gross revenue.

Expenses

Expenses are underwritten in-line with historicals unless otherwise noted. Property taxes are based on the issuer's number, which is higher than the appraisal and the historical results. This number accounts for anticipated tax increases in the next few years, which are mentioned in the appraisal.

Morningstar has underwritten advertising and marketing expense at the appraisal estimate of $1.48 million, which equals 5.52% of total revenue.

Valuation Drivers

The Morningstar base capitalization rate for New York City hotels is 8.5%. A deduction of 50 basis points was made for the Manhattan location and an addition of 25 basis points was made for the risk associated with the ongoing renovation. The resulting capitalization rate is 8.25%. The property is in the early stages of a major renovation of which there remained $15.4 million to be invested as of January 31, 2013. Morningstar estimated strong upside in the room rate at this hotel with average room rates expected to improve from $275 during 2012 to a normalized level of $316. The increased capitalization rate is designed to offset the risk that this new positioning will be achieved. In addition, Morningstar has deducted the value of the future capital expenditure obligations ($15.4 million) from the capitalized value.

The Benjamin

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Analytical Manager: Sheila Bjornstad (646) 560-4511

Property Summary		
Property Type	Hotel/Luxury	
Location	New York, NY 10022	
Year Built	1927	
Year /Renovated	2010	
Net Rentable Room (Total)	209	
Net Rentable Room (Collateral)	209	
Occupancy (Actual)	91.32%	TTM 12/31/12
Ownership	Fee Simple	

Loan Summary		
Allocated Loan Amount (Orig. Balance)	$42,000,000	($200,957/room)
Allocated Loan Amount (Cut-Off Balance)	$42,000,000	($200,957/room)
Loan Term (months)	60	
I/O Period (months)	60	
Amortization Term (months)	0	
Loan Seasoning (months)	2	
Interest Rate	3.67300%	

Morningstar Analysis		
Current DSCR	2.99 x	
Amortizing DSCR	2.99 x	
Beginning LTV	71.90%	
Ending LTV	71.90%	
Capitalization Rate	8.00%	
Morningstar UW Occupancy	90.5%	
Net Operating Income	$6,019,639	
Net Cash Flow	$4,672,877	
Value	$58,410,966	($279,478/room)
Debt Yield	11.13%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Morningstar Summary

Morningstar Perspective

The Benjamin is a boutique-style luxury hotel located in Midtown Manhattan at the corner of 50th Street and Lexington Ave. The hotel has 209 guest rooms, including 96 executive suites, with an average room size of 404 square feet. The original Emery Roth designed hotel originally opened in 1927 and was acquired by the Denihan family in 1999 and completed renovated and converted to its current name The Benjamin.

The National Bar and the Dining Rooms Restaurant (owned), is overseen by Food Network Iron Chef Winner, Geoffrey Zakarian. The restaurant opened at the end of 2009 and recently received an award from the James Beard Foundation. The subject offers 2,184 square feet of meeting space with four meeting rooms, one private dining room, and a lounge. Other amenities include a fitness center and the Federico Salon and spa that is leased to a celebrity stylist.

Between 2007 and 2012, The Benjamin received approximately $9.0 million in capital improvements and renovations which equates to approximately $43,000 per room. The majority of this investment came between 2009 and November of 2010, when the Emery Restaurant and Bar was repositioned as the National, a 90-seat restaurant and 25-seat bar. The repositioning of the restaurant allowed The Benjamin to position its food and beverage offering into a luxury class. The restaurant renovations cost approximately $4.5 million. In addition to the restaurant space, The Benjamin received upgrades to its meeting facility on the second floor, which can be used as a private dining room for the National, guest room refreshes, and energy conservation improvements, and have plans for a $2.6 million refresh in 2013.

Recent capital expenditures have allowed The Benjamin to maintain its competitive position within the luxury/upscale market at a RevPar penetration of 108.3% for 2012. Food and beverage performance has improved in 2012 and management expects it to continue to improve. Recently management hired ARO Hospitality Consulting to assist in food purchasing initiatives and other restaurant operational synergies, including driving banquet business and better managing staffing. There may be upside to the performance of the restaurant.

Management indicated that the rate strategy going forward will be to trade occupancy for stronger rate as well as to drive higher rated corporate, individual and group business. The Benjamin currently benefits from strong midweek bookings and will look to develop strong weekend demand.

Morningstar's analysis of the property concluded an average sustainable net cash flow of approximately $4.67 million, which is 7.4% higher than that reported for calendar year 2012. The higher Morningstar figure is largely attributable to the strengthening average room rate post capital improvements. Morningstar's estimate reflects a strong debt service coverage ratio of 2.99 x based on the loan payment terms and the interest rate of 3.673%. The loan presents low leverage; based on the appraised value of $103 million, the leverage on the loan is 40.8%. Morningstar valued the hotel using the direct capitalization approach and concluded a value of $58.41 million ($279,478 per room), indicating a loan-to-value of 71.9%. Morningstar's value is 43.3% lower than the appraised value.

Given the strengths of a good location in Midtown Manhattan, and a freshly renovated and reconfigured restaurant going into 2014, the property should be in position to continue to maintain occupancy at around 90% or better, while implementing the plan to push room rate growth over the next few years. As with all hotels, the property needs to be able to withstand unavoidable periods of decreased business due to economic conditions or the need to modernize the facilities. The local market is densely developed, though there is a good deal of hotel development in Manhattan. According to the appraisal, of the 8,888 rooms expected to be delivered in Manhattan in 2013 and 2014, just 686 rooms in three hotels are in the Midtown East area.

The Bears Say

- ❖ The average daily rate has not rebounded as quickly since the renovation. The average room rate of $318.40 for 2011 and $327.90 for 2012 remain below the highs achieved in 2007 and 2008 of $399 and $384 respectively. Despite the slower to rebound average room rate, the rate penetration levels are still healthy in 2011-101.4% and 2012-103.3%. In addition, the borrower stated that going forward; the rate strategy will be to trade occupancy for a higher rate.
- ❖ A total of 70 new hotels opened in Manhattan from 2008 through 2011, adding 12,720 rooms representing a 19% increase over 2008. The addition to supply was the largest over the last 24 years. While the average room rate and RevPar felt the impact, the market-wide levels have rebounded. Specifically, the subject which operates at a higher price point/class has not been impacted to the same degree as the broader market. A total of 4,389 rooms are projected to come on-line in 2014, of which only 5% are stated to be in the Midtown East submarket.

The Bulls Say

- The Morningstar underwritten net cash flow is 7.4% higher than that reflected during 2012. The growth is primarily contained in average daily rate assumptions that are derived from trends supported by Smith Travel as well as the fact that we have reduced occupancy.
- The subject has re-stabilized following the 2009 and 2010 renovation. Occupancy levels of 92.7% and 91.3% were achieved in 2011 and 2012 respectively and are high-water marks over any year since 2007, which yield strong occupancy penetration levels of 107% and 104.9% for the subject.
- The National Bar and Dining Rooms restaurant is a highly regarded dining option, and has given the luxury hotel a comparable restaurant experience.
- Food and beverage revenue improved in 2012 and management expects it to improve significantly in the near term. Management has recently hired ARO Hospitality Consulting to assist in food purchasing initiatives and other restaurant operational synergies. This includes driving banquet business and better managing staffing levels.
- The restaurant/retail space is at the corner of Lexington Ave. and East 50th Street and possesses the possibility of providing cash flow growth if leased at market rates.
- In addition to the borrower-funded renovation of 2009 – 2010, major improvement projects have been undertaken from 2006 to 2012 including refreshing the rooms and soft goods.
- The New York Office market has been stable and when coupled with consistent tourism and a very diverse economic base will serve the subject well.
- The appraisal forecast market wide occupancy to remain stable at a level of 87% through 2017. Average rate is forecast to increase by 26.5% through 2017.

Property Description

The subject is the fee simple interest in a 0.17 acre parcel improved with a full-service, luxury lodging facility known as The Benjamin. The property was built in 1927 and was acquired by the Denihan family in 1999 and completed renovated and converted to its current name The Benjamin. The property and features 209 rooms, a restaurant and bar (The National by Geoffrey Zakarian), room service, 2,184 square feet of meeting space, a guest lounge (The Corner), a business center, a spa and salon, a fitness center, concierge service, valet/laundry services, and pet friendly beds and amenities. The hotel's is located at 125 East 50th Street, New York. The property is located in Reis's Grand Central submarket; however, the neighborhood is often referred to as Midtown East.

The 209-room Benjamin's guestroom configuration offers 48 standard guestrooms, 64 studio suites, 96 one-bedroom suites, and one two-bedroom suite. The Benjamin is renowned for its "sleep concierge," as it offers guests the ability to choose from a twelve-choice pillow menu. Moreover, the subject hotel is positioned as a pet-friendly property, featuring plush dog beds, a pet food menu, and other pet-related amenities. The guestrooms underwent a comprehensive reserve-funded "refresh" program during 2009 and 2010, which included the replacement of soft goods, and have plans for a $2.6 million refresh in 2013.

The subject hotel is located at the intersection of East 50th Street and Lexington Avenue, and is readily accessible from most areas of the New York metropolitan area. Although no parking is available at the hotel, several public parking garages are located in the immediate vicinity. Within Manhattan, the subject property is located in an area easily accessible from the large concentrations of office and other commercial space in the Midtown and Downtown areas. The subject site features excellent accessibility from Manhattan's extensive mass-transit system. Transportation by bus, subway, personal automobile, or taxi to the subject property from various commercial locations in Midtown and Downtown Manhattan can be accomplished in a relatively simple and direct manner. The subway station most proximate to the subject property is located on 51st Street between Lexington and Third Avenues, which provides access to the local E and F train lines.

A Morningstar representative inspected the property on March 4, 2013. The property is generally in good condition. The lobby is attractive with comfortable seating, and the Resident lodge on the second floor offers computers and newspapers. The National Bar and the Dining Rooms Restaurant is an attractive space which is said to do a strong breakfast and dinner sales, and is trying to increase lunchtime traffic. The suites offer a small kitchen area with a microwave. Management indicated plans to commence renovations within the next 2-3 years which would replace the existing heavy, hard wood furniture with a more modern style. The current furnishing style overwhelms the space and a more minimalist style will make the rooms feel larger and more in line with the competition. Overall, we have assigned a property score of '3' which rates the property as average.

Demand Drivers

The area in which the subject is located is predominantly commercial in character, and is dominated by office buildings, the United Nations complex, and a number of hotels. The Chrysler Building is located eight blocks south of the subject, as is the Chanin Building. More modern office towers, such as the Citicorp.

Headquarters, the Bloomberg Headquarters, and the Sony building are also located in proximity to the subject property. A large selection of restaurants and bars are available in the subject property's vicinity, providing guests with a large selection of nearby dining alternatives. Retail outlets available within a short walking distance of the subject property are varied and include New York's famous Bloomingdale's flagship store, haute couture shops on Fifth Avenue, including Saks Fifth Avenue, Tiffany's, as well as further upscale shops on Madison Avenue.

Numerous cultural activities, such as the Museum of Modern Art and many art galleries and venues are nearby. Furthermore, Central Park is located a few blocks northwest of the subject property. Not too far are Times Square, Rockefeller Center, as well as numerous high-end retail stores, which are located along Fifth Avenue. These establishments generate substantial visitation to Midtown Manhattan, which in turn translates to demand for hotel accommodations.

Additionally, the United Nations complex is situated within proximity of the hotel. A plethora of other attractions in New York City and the surrounding area can be reached easily by public or private transportation.

The subject site also benefits from favorable access to the region's three major airports: LaGuardia and John F. Kennedy (JFK) International Airports, which are located in the Borough of Queens, and Newark Liberty International Airport, in Newark, New Jersey. LaGuardia is approximately ten miles northeast of the subject site, while JFK is roughly 16 miles to the southeast. Newark Liberty International Airport is located approximately 17 miles southwest of the subject site.

During midweek, 70% of the hotel's demand is generated by corporate business travelers. Leisure travelers represent approximately 17% of total occupied demand; leisure demand is accommodated through the week, but is busiest during weekends. Groups account for approximately 8% of total occupied demand. Wholesale business represents approximately 5% of total demand with the majority of these visitors originating from South America and Australia.

Market Overview

Based upon information provided by Smith Travel Research, the following table presents a summary of historical occupancy and average room rate for the competitive set in which the subject hotel competes. The identified competitive set comprises 2,508 rooms and includes the following hotels: 1) Omni Berkshire, 2) InterContinental Barclay, 3) Loews Regency, 4) W Hotel New York, 5) The Michelangelo, and 6) The Alex.

Evaluation of Market Trends

	Occupancy Rate	Average Rate	Rooms RevPAR	Occupancy Penetration	RevPAR Penetration
TTM 12/31/10	82.2%	$301.58	$247.90	108.4%	91.9%
TTM 12/31/11	85.8%	$313.97	$269.39	107.0%	92.2%
TTM 12/31/12	86.4%	$317.58	$274.39	104.9%	92.3%

Source: Smith Travel Research

The subject has re-stabilized following the 2009 and 2010 renovation. Occupancy levels of 92.7% and 91.3% achieved in 2011 and 2012 respectively are high-water marks over any year since 2007, and yield strong occupancy penetration levels of 107% and 104.9% for the subject. The average daily rate has not rebounded as fast since the renovation. The average room rate of $315 for 2011 and $322 for 2012 remain below the highs achieved in 2007 and 2008 of $399 and $384 respectively. Despite the slower to rebound in average room rate, the rate penetration levels are still healthy at 101.4% and 103.3%, during 2011 and 2011, respectively. RevPar penetration has been strong well above 100% range for the last three years.

The borrower stated that going forward; the rate strategy will be to trade occupancy for a higher rate. Also, the strategy will focus on driving more group business. The Benjamin currently benefits from strong midweek bookings and aims to develop more robust weekend demand.

Morningstar Analysis

	Morningstar Underwriting	Year End 2010	Year End 2011	Year End 2012	Issuer Underwriting
Occupancy Percent	90.5%	89.8%	92.7%	91.3%	91.0%
Average Room Rate	$332	$300	$315	$322	$341
Rooms RevPAR	$301	$270	$292	$294	$310
Departmental Revenue					
Room	$22,979,526	$20,582,578	$22,289,623	$22,474,366	$23,644,500
Food & Beverage	10,333,342	2,752,069	7,948,817	10,460,492	10,395,351
Minor Operated Deparments	350,244	431,170	486,910	354,043	351,838
Retail Lease Revenue	5,933	0	0	6,000	6,000
Rentals and Other Income	0	0	0	0	0
Total Departmental Revenue	**$33,669,045**	**$23,765,817**	**$30,725,350**	**$33,294,900**	**$34,397,689**
Departmental Expenses					
Room	$6,662,146	$6,627,237	$6,902,208	$6,753,866	$6,711,807
Food & Beverage	10,098,221	4,195,811	8,878,542	10,229,856	10,166,152
Minor Operated Deparments	236,480	269,364	269,223	239,736	238,243
Rentals and Other Income	0	0	0	0	0
Total Departmental Expenses	**$16,996,847**	**$11,092,413**	**$16,049,973**	**$17,223,458**	**$17,116,202**
Departmental Profit	**$16,672,198**	**$12,673,404**	**$14,675,377**	**$16,071,442**	**$17,281,487**
Undistributed Expenses					
General & Administrative	$2,799,677	$2,495,307	$2,894,941	$2,799,677	$2,799,677
Franchise Fees	0	0	0	0	0
Advertising & Marketing	2,350,820	1,732,659	2,298,871	2,350,820	2,350,820
Repairs & Maintenance	1,039,762	1,122,807	1,112,805	1,039,762	1,039,762
Utilities	908,659	827,122	961,570	908,659	813,659
Management Fees	1,010,071	712,975	921,723	999,125	1,031,931
Fixed Charges					
Real Estate Taxes	$2,346,000	$1,781,867	$2,020,500	$2,103,519	$2,136,225
Property Insurance	103,000	209,987	169,903	91,059	116,907
Incentive Mgmt Fee	0	0	0	0	0
Other Fixed Expenses	94,569	76,186	132,006	94,569	94,569
Total Operating Expenses	**$27,649,406**	**$20,051,322**	**$26,562,291**	**$27,610,648**	**$27,499,752**
Net Operating Income	**$6,019,639**	**$3,714,495**	**$4,163,059**	**$5,684,252**	**$6,897,937**
Capital Expenditures					
Capital Expenditures / Reserve	$1,346,762	$950,633	$1,229,014	$1,331,796	$1,375,908
Total Capital Expenditures	1,346,762	950,633	1,229,014	1,331,796	1,375,908
Credit for Upfront DSCR Escrow	$0	$0	$0	$0	$0
Net Cash Flow	**$4,672,877**	**$2,763,862**	**$2,934,045**	**$4,352,456**	**$5,522,030**

Analytical Assumptions

The following comments and footnotes provide additional details beyond the description of Morningstar's general analytical approach outlined at the end of this package.

Revenue Drivers

Average Room Rate	$332.00
Occupancy (%)	90.5%
Rooms RevPAR	$301.00

The average daily rate estimated is 3.3% higher than that reflected during the 2012 calendar year. Our estimate is well below the estimates prepared by the appraiser, the 2013 budget and the arranger. Morningstar's estimate of occupancy is slightly lower than the in place level of 91.3%.

Expenses

Expenses are underwritten in-line with historicals unless otherwise noted. Real Estate Taxes and Insurance are underwritten to the borrower's budget.

Capital Items

A reserve for future capital expenditures is underwritten at 4% of gross revenue in line with industry averages for hotels. In additional to the structure repairs recommended by a property condition assessment, the capital reserve for replacement must provide for sufficient funds to conduct periodic replacement of soft goods and case goods in the hotel rooms and in the public spaces. As a result, the reserve for replacement is well above that recommended by the engineer in the property condition assessment.

Valuation Drivers

Our capitalization rate of 8.0% is based on an 8.5% market capitalization rate for the New York MSA, adjusted down by 50 bps to reflect the strong location in Manhattan.

Affina Gardens

Analyst: Ed Barrett 267-960-0530
Analytical Manager: Sheila Bjornstad 646-560-4511

Property Summary		
Property Type	Hotel/Boutique	
Location	New York , NY 10065	
Year Built	1963	
Year /Renovated	2012	
Net Rentable Room (Total)	129	
Net Rentable Room (Collateral)	129	
Occupancy (Actual)	93.25%	TTM 12/31/12
Ownership	Fee Simple	

Loan Summary		
Allocated Loan Amount (Orig Balance)	$39,000,000	($302,326/room)
Allocated Loan Amount (Cut-Off Balance)	$39,000,000	($302,326/room)
Loan Term (months)	60	
I/O Period (months)	60	
Amortization Term (months)	0	
Loan Seasoning (months)	2	
Interest Rate	3.67300%	

Morningstar Analysis		
Current DSCR	3.41 x	
Amortizing DSCR	3.41 x	
Beginning LTV	62.98%	
Ending LTV	62.98%	
Capitalization Rate	8.00%	
Morningstar UW Occupancy	92.5%	
Net Operating Income	$5,534,021	
Net Cash Flow	$4,954,059	
Value	$61,925,742	($480,045/room)
Debt Yield	12.70%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Morningstar Summary

Morningstar Perspective

Affinia Gardens is well situated on 63rd Street between 2nd and 3rd Avenues in Manhattan's Upper East Side, within blocks of Central Park and in one of Manhattan's most notable residential neighborhoods. The property performs exceptionally well compared to its competition in the Upper East Side submarket, as penetration rates across all categories have routinely exceeded 100% for the past six years. As of year-end 2012, occupancy penetration was 108.4%, average rate penetration was 122.8% and RevPar penetration was 133.2%. These penetration numbers are indicative of past performance and are expected to continue at the same rate. The property's average daily rate peaked at $372.19 in 2008 and hit bottom in 2009 when it dropped to $304.40, it currently stands at $320.94. Occupancy and RevPar followed the same path as both hit bottom in 2009 at 87.8% and $192.90, respectively. The current occupancy and RevPar as of year-end 2012 are 92.9% and $298.26. Historically, management's top-line approach was to operate at extremely high occupancies and slightly lag on rate. With the recent renovations to the subject and the portfolio, management intends to shift their strategy to drive average daily rate by building a stronger base of corporate, association and group business. This revenue management strategy will lead to stronger shoulder periods, higher midweek rates and growth away from lower rated tourist business.

In 2005, the property underwent a $7.7 million ($59,690 per key) complete renovation and repositioning and reopened in the third quarter of 2005. The property has been well maintained and finalized recent scheduled renovations in the third quarter of 2012, which included renovating the lobby, facade and guest rooms. Affinia Gardens is undergoing a $3.5 million capital plan that focuses on the corridors, elevators, and life safety equipment. The $3.5 million project is scheduled for completion by the end of 2013. The current average room size of 580 square feet is much larger than the average Manhattan hotel room and is a competitive advantage in the submarket. The Manhattan market is mature and developed, though, currently, there is a good deal of hotel development. According to the appraisal, there are 8,798 rooms slated to be delivered in Manhattan during 2013 and 2014, of that, zero rooms are within the subject's Upper East Side submarket. Furthermore, the addition to supply of 2,409 rooms in 2012 was absorbed easily and had zero to minimal effect on the subject.

New York City has long been recognized as the strongest lodging market in the nation and one of the best lodging markets in the world. For 2012, New York City ranked number one nationally for RevPAR at $210.56 (according to STR Hotel Review for December 2012). HVS is forecasting Manhattan RevPAR growth of 5.4% in 2013 and 7.2% in 2014. The Portfolio achieved RevPAR growth of 8.6% and NCF growth of 25.3% in 2012. The subject achieved RevPAR growth of 0.2% and NCF growth of 2.9% in 2012.

Morningstar's analysis of the property concluded a sustainable net cash flow of $4.95 million, which is 13.3% higher than that reported for year-end 2012. The higher Morningstar figure is attributable to the expected growth in the average daily rate now that a majority of the renovations have been completed and the remaining minor renovations will be finalized by year-end 2013. Morningstar's estimate reflects a strong interest only debt service coverage ratio of 3.41 times. The loan has a low leverage; based on the appraised value of $83 million, the leverage on the loan is 52.9%. Morningstar valued the hotel using the direct capitalization approach and concluded a value of $61.9 million ($480,045 per key), indicating a loan-to-value of 62.9%. Morningstar's value is 25.4% lower than the appraised value.

Given the strengths of the subject's location in Manhattan's Upper East Side, very high stabilized occupancy level, ongoing upgrades, significant renovations over the past five years, the repositioning of the property and a history of above average performance across all measurable market metrics, the property should be able to continue to maintain occupancy greater than 92%, while achieving modest room rate growth in 2013 and into the foreseeable future.

The Bears Say

- The loan is interest only. The loan has no amortization as it is interest only for the full 60-month term.
- Morningstar considers hotel properties among the more risky property types. Morningstar has compensated for the risk in the Capitalization Rate.

The Bulls Say

- The subject is located in one of the markets more desirable locations. The property is located on the Upper East Side on 63rd Street between 2nd and 3rd Avenues, within walking distance of key landmarks including Central Park, Beth Israel Medical Center–Singer Division and Memorial Sloan-Kettering Cancer Center. Additionally, the subject's location is recognized as one of the city's most affluent residential neighborhoods and one of the most densely populated areas in the nation.
- The hotel is in very good condition as it was renovated and repositioned in 2005 at a cost of $59,690 per key and from 2007 to 2012 over $20,000 per key was invested. Additionally, $3.5 million will be reserved for renovations being completed in 2013.

- The subject offers a market appropriate amenity package. Property amenities include a fitness center, business center, complimentary high-speed internet access in the lobby, 24 hour serenity lounge and Tea Bar.
- The subject has a strong brand relative to boutique hotels. The hotel is affiliated with the Affina Brand, a chain of boutique hotels offering accommodations in New York City and Washington D.C. and given its strong boutique brand affiliation, and broader Upper East Side area location, the subject property recorded the highest average rate in the market.
- The property has an experienced local management team. The hotel is operated by the Denihan Hospitality Group; a privately-held, full-service hotel management and development company that, as of January 2013, owns and/or operates 14 boutique hotels in major urban markets in the U.S.
- The loan is supported by cross collateralization. The collateral for the loan is comprised of five cross-collateralized and cross-defaulted properties located across New York City. As such, the loan benefits from less volatile cash flow movements.

Property Description

The subject's allocated loan balance was $39,000,000 ($302,326 per key. The loan is for 5-years, is interest only and has a fixed rate of 3.673%. The first mortgage loan is secured by the fee simple interest in a 129-room, limited-service boutique hotel known as Affina Gardens in New York City. The property was appraised as-is for $83,000,000, as of November 2012. The subject's appraised value equates to $643,000 per key and a 52.9% loan to value. The as-stabilized value as determined by the appraiser was $95,700,000 ($741,860 per key). The subject property is part of a five-hotel, $410 million portfolio ($274,983 per key).

Affinia Gardens is located on 64th Street between 2nd and 3rd Avenues in Manhattan's Upper East Side, four blocks from Central Park. The 14-story limited service boutique hotel opened in 1963 and features 129 rooms, an exercise room, a business center, and a guest laundry. The guest room configuration consists of 77 junior suites, 44 one bedroom units, 3 two bedroom suites and five units that are owner occupied The rooms have an average of about 580 square feet with several of the guestrooms and suites offering private patios and terrace space. The hotel is equipped with all the necessary back of- the-house space.

Located on Manhattan's Upper East Side, the property is bounded by East 96th Street to the north, York and East End Avenues to the east, East 59th Street to the South, and Central Park to the west. The hotel is adjacent to the Upper East Side hospitals, museums, galleries, shopping, and the strong residential markets which all support the hotels performance and contribute to what routinely results in above average length of stays.

Built in 1963, the Affinia Gardens reopened in the third quarter of 2005 following an extensive $7.7 million ($59,690 per key) renovation and repositioning. The Affinia Gardens also received a minor renovation from the first quarter to the third quarter of 2012, which included lobby renovation, facade improvements and guest room kitchen renovation. Affinia Gardens will complete a $3.5 million capital plan in 2013 that focuses on the corridors, elevators, and life safety equipment. The sponsors are required to complete the capital plan for the Affinia Gardens by December 2013. The full $3.5 million is reserved as collateral for the Loan.

Demand Drivers

Year after year, New York City is recognized as one of, if not, the strongest lodging market in the nation and one of the best lodging markets in the world. For 2012, New York City ranked number one nationally for RevPAR at $210.56 (according to STR Hotel Review for December 2012). Hotel Valuation Service is forecasting Manhattan RevPAR growth of 5.4% in 2013 and 7.2% in 2014. The Affina Gardens achieved RevPAR growth of 8.3% in 2011 and 0.2% in 2012 despite undergoing renovations.

The primary driver for the Affinia Gardens is its Upper East Side location. The hotels proximity to both residential and medical community users accompanied by amenities such as a full kitchen offering, large room size, and strong mix of international travelers contribute to the hotels consistently strong occupancy numbers. The location and host of amenities all contribute to a significantly above average length of stay of 3.9 nights per guest and strong ADR.

The guest room configuration consists of 77 junior suites, 44 one bedroom units and 3 two bedroom suites. The junior suites and one bedroom units account for approximately 90% of the hotels business. Weekly business travel accounts for 30% of the business and routinely averages a 4.2 night length of stay. Corporate training accounts for 25% of the business and is supported heavily by summer analyst programs. Guests related stays from the nearby hospitals account for 15% to 20% of the hotels business. The hotels leisure demand is driven by international users primarily from the United Kingdom and Australia.

Market Overview

Based upon information provided by Smith Travel Research, the following table presents a summary of historical occupancy and average room rate for the competitive set in which the subject hotel competes. The identified competitive set comprises 1,004 rooms and includes the following hotels: 1) Hotel Wales, 2) Fitzpatrick Hotel Manhattan, 3) Bentley Hotel, 4) Renaissance New York Hotel 57, 5) Courtyard New York Manhattan Upper East Side, 6) AKA Sutton Place. The 129-room Affinia Gardens is a limited-service, boutique hotel located in the Upper East Side neighborhood of Manhattan. The subject hotel competes with a selection of six comparable hotels of varying service-profiles located in the broader Midtown Manhattan area.

Evaluation of Market Trends					
	Occupancy Rate	Average Rate	Rooms RevPAR	Occupancy Penetration	RevPAR Penetration
TTM 12/31/10	81.2%	$249.84	$202.87	110.5%	135.3%
TTM 12/31/11	81.9%	$260.75	$213.55	113.7%	139.3%
TTM 12/31/12	85.7%	$261.36	$223.99	108.4%	133.1%
Source: Smith Travel Research					

In the year-to-date period through December 31, 2012, the subject's average daily rate of $320.94 is an increase of 0.5% over the same period in 2011. All indications are that growth in average rates is being driven by the lack of new supply in the subject market. According to Smith Travel Research, there is no known major new development in the pipeline that competes directly with the subject.

Occupancy at the subject started its recovery in 2010 when it reached 89.9% as of year-end 2010 and that trend continued in 2011 when occupancy reached 93.5% by year-end. As of year-end 2012, occupancy levels slipped slightly to 93.2%, primarily due to a period of renovation. According to Smith Travel Research, the subjects competitive set was 81.2% occupied as of year-end 2010, 81.9% occupied as of year-end 2011 and 85.7% as of year-end 2012.

As of the trailing twelve months ending December 2012, the Smith Travel Research report indicated that the subject posted an average daily rate and RevPar of $326 and $302, respectively, versus the competitive set at $261.38 and $234, respectively.

As with all markets, as fundamental improvements in market conditions persist, the risk of increased competition increases. There are potentially 4,409 rooms that could be added to the overall New York hotel market in 2013 and potentially 4,389 in 2014. Of the 8,798 rooms that could be added over the next two years 485 units are slated for the Lower East Side and can be considered potentially competitive with the subject but in all likelihood will not compete directly. That said, demand continues to exceed supply and overall demographics are favorable and Morningstar's forecast of stabilized occupancy and average rate is intended to reflect such risk. Overall, the market is exhibiting the signs of a sustainable recovery and supply and demand dynamics indicate that the market is undersupplied. Additionally, as a result of the planned renovation and refurbishment, the subject property's penetration will in all likelihood improve going forward. The subject had an occupancy penetration rate in excess of 100% for the past six years.

Traditionally, room rate increases in the hospitality industry lag improvement in occupancy, as operators typically do not focus on average rate increases until there is substantial compression in a market. There has been strong occupancy growth since the beginning of 2009, and in many markets, hotels are beginning to experience higher average rate levels through the return of a broad base of travelers and decreased reliance on more price-sensitive booking channels. The subject property achieved an average rate of $320.94 as of year-end 2012, continuing the growing average rate trend. The subject continues to outpace the competitive set with regard to penetration rates in excess of 122% for the past three years. Affina Gardens management's focus going forward will be to continue growing average rate as the hotel completes its planned renovation, which the hotel management expects will equate to higher occupancy and RevPar that will continue to outperform the competitive set. Average rate at the property increased by 5.6% from 2009 to 2010, 4.8% from 2010 to 2011 and despite a renovation disruption the property had an increase from 2011 to 2012 of 0.65%. Occupancy rate at the property increased by 1.3% from 2009 to 2010, 3.6% from 2010 to 2011 and slipped slightly with a decrease of 0.3% from 2011 to 2012. RevPar at the property increased by 6.9% from 2009 to 2010, 8.9% from 2010 to 2011 and had a slight increase from 2011 to 2012 of 0.35%.

Morningstar Analysis

	Morningstar Underwriting	Year End 2010	Year End 2011	Year End 2012	Issuer Underwriting
Occupancy Percent	92.5%	89.9%	93.5%	93.2%	92.8%
Average Room Rate	$326	$294	$308	$310	$332
Rooms RevPAR	$302	$265	$288	$289	$308
Departmental Revenue					
Room	$14,228,743	$12,454,450	$13,554,021	$13,627,951	$14,501,333
Food & Beverage	20,748	17,557	15,926	21,128	20,977
Telephone	0	0	0	0	0
Minor Operated Deparments	184,432	229,116	223,521	186,753	185,416
Retail Lease Revenue	65,121	57,980	64,423	66,034	66,034
Rentals and Other Income	0	0	0	0	0
Total Departmental Revenue	**$14,499,044**	**$12,759,103**	**$13,857,891**	**$13,901,865**	**$14,773,760**
Departmental Expenses					
Room	$3,534,963	$3,293,037	$3,518,915	$3,620,240	$3,594,338
Food & Beverage	13,398	10,663	12,154	13,682	13,584
Telephone	0	0	0	0	0
Minor Operated Deparments	40,171	50,390	40,795	41,140	40,846
Retail Lease Revenue	0	0	0	0	0
Rentals and Other Income	0	0	0	0	0
Total Departmental Expenses	**$3,588,532**	**$3,354,090**	**$3,571,863**	**$3,675,062**	**$3,648,768**
Departmental Profit	**$10,910,512**	**$9,405,013**	**$10,286,028**	**$10,226,803**	**$11,124,992**
Undistributed Expenses					
General & Administrative	$1,561,082	$1,470,471	$1,583,661	$1,561,082	$1,561,082
Franchise Fees	0	0	0	0	0
Advertising & Marketing	1,062,386	920,847	1,056,678	1,062,386	1,062,386
Repairs & Maintenance	519,475	542,328	519,204	519,475	519,475
Utilities	373,310	350,836	380,246	373,310	241,310
Management Fees	434,971	382,773	415,722	417,032	443,213
Fixed Charges					
Real Estate Taxes	$1,359,190	$1,209,936	$1,271,993	$1,309,852	$1,359,190
Property Insurance	64,000	96,542	129,602	53,887	76,057
Incentive Mgmt Fee	0	0	0	0	0
Other Fixed Expenses	2,077	19,834	0	2,077	2,077
Total Operating Expenses	**$8,965,023**	**$8,347,657**	**$8,928,968**	**$8,974,164**	**$8,913,558**
Net Operating Income	**$5,534,021**	**$4,411,446**	**$4,928,923**	**$4,927,701**	**$5,860,202**
Capital Expenditures					
Capital Expenditures / Reserve	$579,962	$510,364	$554,316	$556,075	$590,950
Extraordinary Capital Expenditures	0	0	0	0	0
- Credit For Cap Ex Reserve	0	n/a	n/a	n/a	n/a
Total Capital Expenditures	579,962	510,364	554,316	556,075	590,950
Credit for Upfront DSCR Escrow	$0	$0	$0	$0	$0
Net Cash Flow	**$4,954,059**	**$3,901,082**	**$4,374,607**	**$4,371,626**	**$5,269,252**

Analytical Assumptions

The following comments and footnotes provide additional details beyond the description of Morningstar's general analytical approach outlined at the end of this package.

Revenue Drivers

Average Room Rate	$326.00
Occupancy (%)	92.5%
Rooms RevPAR	$302.00

Revenue Drivers

The subject property has an occupancy rate of 93.2% as of year-end 2012 and is operating at greater than peak occupancy levels of 90.6% last seen at the height of the market in 2008. The increased occupancy is allowing management to focus on rate maximization. With the increase in rates, demand could potentially moderate as some consumers are priced out of the market, however, the New York area is forecast to continue its positive economic trend and the hotel market is expected to continue on its ascent as Hotel Valuation Service is forecasting Manhattan RevPAR growth of 5.4% in 2013 and 7.2% in 2014. And as in 2012, New York City is expected to continue to be ranked very high if not number one nationally for RevPAR by STR Hotel Review. Based on past and present performance Morningstar is comfortable underwriting occupancy at 92.5%, a sustainable level on par with that being achieved in 2012.

The subject's average daily rate has historically outperformed its competitors in the market. In 2011 and the through year-end 2012, the subject's average daily rate continue to show growth with increases in 2011 of 4.8% and 0.7% in 2012, average rate penetration has significantly outpaced the competitive set with a appreciably greater than 100% rate year over year since 2009. This is attributed to the strong location of the property and limited direct competition. Additionally, prior renovations and currently planned renovations will maintain the competitive ability of the Affina Gardens Hotel if not increase.

Morningstar underwrote an ADR of $326 which is higher than the trailing twelve months ending December 2012 rate of $320.94 and considerably lower than where it had been at the peak in 2008 ($354.55). Morningstar underwrote occupancy at 92.5% - in line with T12 of 93.2%. The subject achieved a 90.6% occupancy rate in 2008. Morningstar's underwritten RevPar of $302 is just slightly higher than that achieved in 2008 ($301.22) and the trailing twelve months ended December 2012 of $289.15. The Issuer underwrote occupancy, ADR and RevPar of 92.8%, $331.75 and $307.96, respectively. For years 2013/2014 the appraiser underwrote occupancy, ADR and RevPar of 92%, $350.49 and $322.45, respectively.

Expenses

Expenses are underwritten in-line with historicals unless otherwise noted.

Capital Items

A reserve for future capital expenditures is underwritten at 4.0% of gross revenue in line with industry averages for hotels. In additional to the structure repairs recommended by a property condition assessment, the capital reserve for replacement must provide for sufficient funds to conduct periodic replacement of soft goods and case goods in the hotel rooms and in the public spaces. As a result, the reserve for replacement is well above that recommended by the engineer in the property condition assessment.

Valuation Drivers

The Morningstar base capitalization rate for New York is 8.5%. A deduction of 50 basis points was made for the property's Manhattan location. The resulting capitalization rate is 8.0%.

Management

The subject hotel is managed by the Denihan Hospitality Group (DHG). Base management fees for DHG management equate to 3.0% of gross revenue per annum. Additionally, the subject hotel is also required to provide a corporate marketing fee of 1.5% of gross revenue per annum. Lastly, the property is also required to provide management with an incentive fee, when applicable. The incentive management fee is calculated as 15% of the net operating income in excess of the "incentive fee threshold."

Site Inspection

Morningstar visited the Affina Gardens Hotel on March 5, 2013 and the property manager provided a thorough site inspection of both the front and back of the house facilities of the hotel. The hotel appeared to be well maintained, was clean and appealing. Based upon our review, Morningstar assigned a property quality score of 3 (Average) to this hotel. Morningstar uses a scale of 1 to 5, with a "1" being the highest quality. Factors including age, location and condition are considered in assigning the quality score. In turn, the quality score factors into the assignment of the capitalization rate.

Zoning

Under the current zoning ordinance, the lawful use of the subject is as a multi-dwelling building requiring stays of greater than 30 days. Currently a transient hotel is not a conforming use. The law does allow hotels that pre-date the zoning code to register with the New York City Department of Buildings (DOB) and have the Certificate of Occupancy amended to allow use as a transient hotel. The sponsors have registered with the DOB and are in the process of obtaining an amended Certificate of Occupancy.

Appendix A: Morningstar CMBS Subordination Model

This Appendix provides a brief description of Morningstar's proprietary CMBS Subordination Model. A publication entitled, "Guide to the Morningstar CMBS Subordination Model", provides a more comprehensive overview of the model's framework as well as details of the model's main features. It can be found on Morningstar's website at http://ratingagency.morningstar.com, by going to the Ratings Report Section.

Overview

Morningstar uses its CMBS Subordination Model to determine the required credit enhancement levels of both conduit and large-loan CMBS transactions. In addition to determining the initial enhancement levels, this model is an integral part of the on-going surveillance of such transactions. This approach allows Morningstar to maintain ratings consistency across CMBS transactions throughout their lives.

Morningstar's underwritten NCF and cap rate for each property, along with the corresponding loan characteristics, are subjected to defined sets of stresses in this CMBS model to arrive at the required credit enhancement levels at each rating category. Each set of stresses gauges the likelihood of each loan to default, as well as the loss severity given default, during the loan's term and at its balloon date.

Each set of stresses include:

- NCF declines during the term of the loan and at the balloon date that reflect worsening economic conditions,
- Cap rate increases that reflect deteriorating demand for CRE investments,
- Balloon loan constants to reflect more restrictive lending conditions when the existing loan needs to get re-financed,
- Time to default assumptions that limit the credit to loans which amortize,
- Loan liquidation time assumptions that impact the aggregate special servicer fees and accrued interest on P&I advances, and
- Interest rate assumptions on interest due the servicer for P&I advances.

These stresses are tiered by rating category with the most onerous commensurate with the highest rating category to reflect extremely stressed economic, CRE market and lending environments. The stresses associated with the lowest rating category, while substantially less dramatic than that at the highest rating level, still reflect declines. The model therefore fully discounts historically-observed positive performances. Many of these stresses also differ across property types.

The model also quantitatively accounts for portfolio-level concentration risks (loan size, property type and geography) by applying additional NCF stresses on those loans that contribute to each such risk.

Term Default Analysis

The model determines the likelihood of a term default for each loan by:

1. First subjecting Morningstar's underwritten NCF for the loan to an NCF haircut that simulates the potential decline in net effective rent over the term of the loan. The magnitude of this decline represents the maximum decline in NCF on the property during the term of the loan.
2. The Morningstar underwritten NCF is then further reduced by a series of additional NCF haircuts to address portfolio concentration risk concerns (loan size, property type and geography).
3. The resultant stressed NCF and the terms of the loan are then used to determine the loan's stressed DSCR.
4. The loan's probability of default during the term of the loan is then derived by translating this "low-point" DSCR into a probability of default ("PD") based on a Morningstar empirical study of the correlation between DSCR and PD.

The loss severity of the loan given a default event is then determined by looking at its two components -- lost principal and special servicer costs.

Lost principal is calculated as the difference between the outstanding loan balance at the time of default and the stressed property value. The model computes the loan balance based on empirically-based time-to-default assumptions and the terms of the loan. The stressed property value is arrived at using the stressed NCF and a ratings adjusted cap rate.

Special servicer costs include the fees earned by the special servicer while the loan is specially-serviced, interest on any P&I advances that the servicer makes, and the liquidation fees due the special servicer for selling the foreclosed property. The special servicer fee is dependent upon the period of time the loan is specially serviced. The model uses assumptions of this time period tiered by rating category.

Balloon Default

The overwhelming majority of loans backing CMBS deals to date do not fully amortize by the loan's maturity date. As such, most loans have a balloon balance that is due upon maturity. Borrowers are required to secure take-out financing for the remaining principal balance by this date. Failure to do so triggers a default event and the loan becomes specially-serviced. Balloon default is therefore a binary event.

The model tests the ability of each loan to be refinanced at its balloon date by comparing the loan's refinance DSCR and LTV ratios to assumed take-out financing threshold requirements. Morningstar stresses the underwritten NCF and cap rate, and then applies a stressed refinance loan constant to arrive at the loan's refinance DSCR and LTV ratios. If these DSCR and LTV metrics pass this test, the loan is taken out in whole (PD equals zero and there is no loss).

If either test is not met, the model assumes that the loan becomes specially serviced and the special servicer takes one of two actions. If the existing loan's DSCR[1] is greater than an assumed special servicer loan extension threshold, the model assumes that the special servicer extends the loan. Otherwise the model assumes the special servicer will initiate foreclosure proceedings and the property is eventually sold. An assumed timeframe, tiered by rating category, from the balloon date to the date of liquidation is used for calculating the special servicer fees incurred. The model also calculates any needed P&I advances and the liquidation fee. The liquidation price is the stressed value calculated for the property commensurate with the rating category.

In the loan extension scenario, the model typically assumes some limited growth in NCF generated by the property, better loan conditions and an improved CRE market as manifested in a lower refinance loan constant and cap rate during the extension period. At the conclusion of the extension period, the model again tests whether or not the loan gets refinanced. The improved DSCR and LTV ratios are once again compared to the assumed take-out financing threshold requirements. If both tests are passed, the loan is taken out in whole. There is no principal loss but losses are incurred in the form of special servicer costs (special servicer fee, interest on P&I advances and workout fee).

If the loan is still not able to be refinanced, the model assumes the special servicer initiates foreclosure proceedings and the property is eventually sold. Losses in this scenario include a likely principal loss along with special servicer costs (interest on P&I advances, special servicer fee, and liquidation fee).

[1] Note that the existing loan DSCR differs from the loan's refinance DSCR. The latter is calculated at an assumed stressed loan constant and the former is based on the actual terms of the existing loan.

Appendix B: Morningstar Rating Surveillance

Morningstar has historically performed and continues to perform ongoing monthly surveillance on publically-issued and outstanding US CMBS transactions on a subscription basis for investors. As a result of such, Morningstar publishes to its subscriber base a monthly credit analysis report for each CMBS trust entitled the "Morningstar Dealview", outlining the most recent performance trends for each.

Morningstar's analysis is best described as a bottom-up approach. At its core, it is driven by the performance of the underlying commercial real estate loan collateral. Analysts first evaluate, using qualitative and quantitative analysis, the credit risk characteristics of the collateral pool backing any given securitization trust. The credit protections are then evaluated as part of Morningstar's opinion of the risk profile of any given security. Morningstar applies a surveillance model described at http://ratingagency.morningstar.com, to produce suggested credit ratings and rating outlooks for each class of a given CMBS transaction.

Any surveillance activities described herein are conditioned on Morningstar's receipt of certain information to enable Morningstar to perform surveillance. The degree of surveillance performed depends largely on the scope of review performed by Morningstar and enumerated in the related surveillance report and the availability of information. The degree and scope of review and information considered is generally enumerated in the Morningstar surveillance report for the respective transaction and should be considered when evaluating and comparing ratings.

Any surveillance performed by Morningstar is available solely to Morningstar subscribers on a subscription basis under Morningstar's policies and procedures. Therefore, if recipient is not a subscriber, recipient will not have access to or receive any ratings information following Morningstar's issuance of a rating, including any information related to changes to the ratings post issuance.

For further information and a description of Morningstar's surveillance activities, please see http://ratingagency.morningstar.com, including "Morningstar CMBS Surveillance Rating Opinions: Procedures and Methodologies".

Appendix C: Morningstar Rating Characteristics

The preliminary ratings provided in this report address the likelihood of the timely receipt of distributions of interest by certificateholders to which they are entitled and, the ultimate distribution of principal by the Rated Final Distribution Date.

The preliminary ratings are based solely on the scope of review enumerated in this report and the information related thereto provided to Morningstar through the arranger website as of the date hereof or as expressly enumerated herein which we believe to be reliable. Unless otherwise in accordance with Morningstar's policies and procedures, Morningstar does not audit or verify the truth or accuracy of any such information.

These preliminary ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by Morningstar. In addition, these ratings do not address: (a) the likelihood, timing, or frequency of prepayments (both voluntary and involuntary) and its impact on interest payments or the degree to which such prepayments might differ from those originally anticipated, (b) the possibility that a certificateholder might suffer a lower than anticipated yield, (c) the likelihood of receipt of yield or spread maintenance charges, prepayment charges, yield or spread maintenance premiums or penalties, yield maintenance default premiums, yield maintenance non-default premiums, prepayment premiums, spread maintenance payments, release spread maintenance premiums, prepayment fees or penalties, assumption fees, modification fees, penalty charges, default interest or post-anticipated repayment date additional interest, (d) the likelihood of experiencing prepayment interest shortfalls, an assessment of whether or to what extent the interest payable on any class of rated certificates may be reduced in connection with any prepayment interest shortfalls, or of receiving compensating interest payments, (e) the tax treatment of the certificates or effect of taxes on the payments received, (f) the likelihood or willingness of the parties to the respective documents to meet their contractual obligations or the likelihood or willingness of any party or court to enforce or hold enforceable, the documents in whole or in part, (g) an assessment of the yield to maturity that investors may experience, (h) the likelihood, timing or receipt of any payments of interest to the holders of the rated certificates resulting from an increase in the interest rate on any underlying mortgage loan in connection with a mortgage loan modification, waiver or amendment, (i) excess interest or additional interest amounts or any remaining or excess funds or (j) other non-credit risks, including, without limitation, market risks or liquidity.

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